LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

Basic Financial Statements and Supplemental Information

June 30, 2021

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position (Deficit)	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position (Deficit)	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14-30
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	31
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Special Revenue Fund	32
Schedule of Proportionate Share of Net Pension Liability	33
Schedule of Contributions	34
Notes to Required Supplemental Information	35-36
SUPPLEMENTAL INFORMATION	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*	37-38
MANAGEMENT LETTER	39-40
MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES	41

Partners
W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Thomas F. Regan
Ernie R. Janvrin
Richard F. Hayes
Renee C. Varga
Shawn M. Marshall

Winter Park, FL 32789
501 S. New York Ave.
Suite 100
Phone: 407-644-5811
www.mosskrusick.com

N. Palm Beach, FL 33408
631 US Highway One
Suite 405
Phone: 561-848-9300

Miami Lakes, FL 33016
7900 NW 155th Street
Suite 201
Phone: 305-445-7956

American Institute of Certified Public Accountants

Florida Institute of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Language & Literacy Academy for Learning, Inc.
Winter Haven, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Language & Literacy Academy for Learning, Inc. (the "School"), as of and for the year ended June 30, 2021, 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.

Auditors' 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 auditors' 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, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 schedules information on pages 3-7 and 31-36 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 30, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 30, 2021

Management's Discussion and Analysis

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- The School's overall net position increased by $61,492.
- Total ending unrestricted net position was a deficit of $1,193,014.
- The School had total expenses for the year of $4,522,442, compared to revenues of $4,583,934.
- The year ended June 30, 2021 was the School's third year of instruction during which the School educated 220 students, serving grades K-12, compared to 194 students for the prior year.
- During the current fiscal year, the School secured a $466,431 loan under the Paychecks Protection Program ("PPP") established by the Coronavirus Aid Relief, and Economic Security Act ("CARES Act"). In addition, the School received forgiveness of a $584,500 PPP and EDIL loan from the prior year and recorded it as other revenue in the 2021 government-wide financial statements.

Overview of the Basic Financial Statements

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

Government-wide Financial Statements. The first financial statement is the Statement of Net Position. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid, net position, the difference between assets and liabilities, can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements. Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

The School maintains three individual governmental funds, the General Fund, Debt Service Fund, and Special Revenue Fund. These funds are considered to be major funds and, accordingly, they are separately displayed.

Governmental funds. Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of the School's financial position. In the case of the School, liabilities exceeded assets by $609,082 at June 30, 2021, compared to $670,574 at June 30, 2020.

Comparison of the condensed statement of net position (deficit) and the statement of activities are provided below:

The School's net position at June 30 was as follows:

	Governmental Activities		
	2021	2020	Change
Assets			
Current assets	$ 341,818	$ 369,419	$ (27,601)
Capital assets, net of accumulated depreciation	583,932	151,622	432,310
Total assets	925,750	521,041	404,709
Deferred outflows			
Related to changes in net position	2,079,079	794,967	1,284,112
Liabilities			
Current liabilities	43,401	57,595	(14,194)
Non-current liabilities	1,014,831	1,140,500	(125,669)
Net pension liability	2,505,020	740,461	1,764,559
Total liabilities	3,563,252	1,938,556	1,624,696
Deferred inflows			
Related to changes in net position	50,659	48,026	2,633
Net position (deficit)			
Investment in capital assets	583,932	151,622	432,310
Unrestricted (deficit)	(1,193,014)	(822,196)	(370,818)
Total net position (deficit)	$ (609,082)	$ (670,574)	$ 61,492

The School's change in net position (deficit) was as follows:

	Governmental Activities		
	2021	2020	Change
Revenues:			
Program revenues:			
Operating grants and contributions	$ 131,076	$ 94,759	$ 36,317
Capital grants and contributions	543,626	517,217	26,409
Title I	59,582	-	59,582
Title II	4,316	-	4,316
General revenues:			
Florida Education Finance Program	3,090,286	2,885,780	204,506
Student lunches	-	3,403	(3,403)
Before and after care	-	6,149	(6,149)
Donations	8,574	10,264	(1,690)
Fundraisers	9,410	320	9,090
Student services	125,820	-	125,820
Other local revenue	26,744	6,943	19,801
Debt forgiveness	584,500	-	584,500
Total revenue	4,583,934	3,524,835	1,059,099
Program expenses:			
Instruction	260,423	-	260,423
Exceptional instruction	2,405,148	2,324,858	80,290
Instructional support	10,369	18,054	(7,685)
Board expenses	11,250	10,345	905
General administration	72,731	62,261	10,470
General support	617,788	762,599	(144,811)
Facility and acquisition	190,463	120,000	70,463
Fiscal services	2,750	17,677	(14,927)
Food services	108,258	98,161	10,097
Central services	-	3,525	(3,525)
Transportation	233,750	403,436	(169,686)
Operation of plant	451,867	107,546	344,321
Maintenance of plant	50,770	38,270	12,500
Administrative tech	25,514	2,860	22,654
Interest on long-term debt	81,361	61,802	19,559
Total expenses	4,522,442	4,031,394	491,048
Change in net position (deficit)	61,492	(506,559)	568,051
Net position (deficit) - beginning	(670,574)	(164,015)	(506,559)
Net position (deficit) - ending	$ (609,082)	$ (670,574)	$ 61,492

The School's student enrollment increased from 194 full-time equivalent ("FTE") students for fiscal 2020 to 220 for fiscal 2021. The Florida Education Finance Program ("FEFP") revenues increased to match the demand increase for instruction related expenditures. Student services and debt forgiveness increased primarily from therapy provided to ESE students and from PPP and EDIL loan forgiveness of $584,500, respectively. Overall, the School experienced an increase in instruction expenditures and operation of plant due to an increase in FTE, materials, and administration services. Also, general support and transportation have decreased due to decreased advertising and student transportation due to COVID-19.

Governmental Activities. The governmental activities generated $864,420 in program revenues and $3,719,514 of general revenues, and incurred $4,522,442 of program expenses. This resulted in a $61,492 increase in net position.

The School's Individual Funds

General Fund. The fund balance of the General Fund decreased by $13,407 from $311,824 to $298,417.

Debt Service Fund. The fund balance of the Debt Service Fund remained the same at $0 after transfers to the General Fund of $377,470 which means that all debt funds were spent during the year.

Special Revenue Fund. The fund balance of the Special Revenue Fund remained the same at $0 after transfers to the General Fund of $738,600 which means that all special revenue funds were spent during the year.

Budgetary Highlights

General Fund. Actual revenues were less than originally budgeted by $109,072 due to the CSP Grant, IDEA funds, ESSER, and GEER funds being budgeted as Special Revenue Fund revenues and not General Fund revenues. Actual expenditures were more than originally budgeted expenditures by $583,070 primarily due to the School having additional operation of plant expenditures related to expansion of the School. The Board of Directors amends the School's budget throughout the fiscal year to reflect changes in expected revenue and expenditures and changes in FTE counts. The Board of Directors has approved a motion to adjust the 2021 general fund budget to the actual 2021 general fund year-end financials. Thus, the final approved general and special revenue fund budgets are equal to the general and special revenue fund statements of revenues, expenditures, and changes in fund balances. The budgetary information can be found on pages 31 through 32 of this report.

Capital Assets and Debt Administration

Capital Assets. The School's investment in capital assets for its governmental activities as of June 30, 2021, amounts to $583,932 (net of accumulated depreciation). This investment in capital assets include furniture, fixtures, and equipment, leasehold improvements, and computer hardware and technology. Please refer to a note to the accompanying financial statements entitled capital assets and depreciation for more detailed information about the School's capital asset activity.

Debt Administration. During the current and prior year, the School received new debt proceeds of $466,431 in relation to PPP funds. The School has also obtained forgiveness for a prior year PPP loan. From time to time the School incurs advances on their FEFP funding through a third party loan servicer. Please refer to a note to the accompanying financial statements entitled long term liabilities for more detailed information about the School's long-term debt activity.

Economic Factors

In fiscal year 2021, the State of Florida increased its FEFP base funding to include a teacher salary increase pool of $500 million and mental health initiative allocations. The capital outlay funding pool increased to $169.6 million.

For fiscal year 2022, the Florida Education Finance Program funding and the capital outlay revenue assumed at a flat rate in comparison to the current rate per student. The teacher salary allocation will continue to be a part of the base FEFP funding. A 2% merit increase for all staff was included in the budget. All other expenditures are budgeted in alignment with enrollment changes and the school's strategic objectives.

Contacting The School's Financial Management

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dr. Callins, Principal, Language & Literacy Academy for Learning, Inc., 330 Avenue C South East, Winter Haven, FL 33880.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2021

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash	$ 341,818
Total current assets	341,818
Capital assets, net	583,932
Total assets	925,750
DEFERRED OUTFLOWS	
Related to changes in the net pension	2,079,079
LIABILITIES AND NET POSITION (DEFICIT)	
CURRENT LIABILITIES	
Accrued payroll	35,121
Accounts payable	8,280
Total current liabilities	43,401
NONCURRENT LIABILITIES	
Due in one year - long term debt	1,014,831
Net pension liability	2,505,020
Total liabilities	3,563,252
DEFERRED INFLOWS	
Related to changes in the net pension	50,659
NET POSITION (DEFICIT)	
Investment in capital assets	583,932
Unrestricted	(1,193,014)
Total net position (deficit)	$ (609,082)

The accompanying notes are an integral part of these financial statements.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Functions/ Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:					
Instruction	$ 260,423	$ -	$ -	$ -	$ (260,423)
Exceptional instruction	2,405,148	125,820	63,898	543,626	(1,671,804)
Instructional support	10,369	-	-	-	(10,369)
Board expenses	11,250	-	-	-	(11,250)
General administration	72,731	-	-	-	(72,731)
General support	617,788	-	-	-	(617,788)
Facility and acquisition	190,463	-	-	-	(190,463)
Fiscal services	2,750	-	-	-	(2,750)
Food services	108,258	-	131,076	-	22,818
Transportation	233,750	-	-	-	(233,750)
Operation of plant	451,867	-	-	-	(451,867)
Maintenance of plant	50,770	-	-	-	(50,770)
Administrative tech	25,514	-	-	-	(25,514)
Interest on long-term debt	81,361	-	-	-	(81,361)
Total governmental activities	$ 4,522,442	$ 125,820	$ 194,974	$ 543,626	(3,658,022)
General revenues:					
State passed through local school district					3,090,286
Local revenue					44,728
Debt forgiveness					584,500
Total general revenues					3,719,514
Change in net position					61,492
Net position (deficit) at July 1, 2020					(670,574)
Net position (deficit) at June 30, 2021					$ (609,082)

The accompanying notes are an integral part of these financial statements.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021

	General Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
ASSETS				
Cash	$ 341,818	$ -	$ -	$ 341,818
Total assets	$ 341,818	$ -	$ -	$ 341,818
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accrued payroll	$ 35,121	$ -	$ -	$ 35,121
Accounts payable	8,280	-	-	8,280
Total liabilities	43,401	-	-	43,401
FUND BALANCES				
Unassigned	298,417	-	-	298,417
Total fund balances	298,417	-	-	298,417
Total liabilities and fund balances	$ 341,818	$ -	$ -	$ 341,818

The accompanying notes are an integral part of these financial statements.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2021

Fund balances - total governmental funds		$ 298,417
The net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Furniture, fixtures, and equipment, net of $29,719 of accumulated depreciation	$ 94,069	
Leasehold improvements, net of $65,632 of accumulated depreciation	392,293	
Computer hardware and technology, net of $18,076 of accumulated depreciation	97,570	
Total capital assets		583,932
Long-term debt are not due and payable in the current period and, therefore, not reported in the funds		(1,014,831)
Net pension liability and related deferred inflows/outflows are not due and payable in the current period and, therefore, are not reported in the funds		(476,600)
Total net position (deficit) of governmental activities		$ (609,082)

The accompanying notes are an integral part of these financial statements.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2021

	General Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
Revenues				
Federal passed through state				
National School Lunch Program	$ -	$ -	$ 131,076	$ 131,076
Grants	-	-	543,626	543,626
Title I	-	-	59,582	59,582
Title II	-	-	4,316	4,316
State passed through local school district				
Florida Education Finance Program	3,090,286	-	-	3,090,286
Local revenue				
Donations	8,574	-	-	8,574
Fundraisers	9,410	-	-	9,410
Student services	125,820	-	-	125,820
Other local revenues	26,744	-	-	26,744
Total revenues	3,260,834	-	738,600	3,999,434
Expenditures				
Current:				
Instruction	260,423	-	-	260,423
Exceptional instruction	1,984,996	-	-	1,984,996
Instructional support	10,369	-	-	10,369
Board expenses	11,250	-	-	11,250
General administration	72,731	-	-	72,731
General support	688,906	-	-	688,906
Facility and acquisition	190,463	-	-	190,463
Fiscal services	2,750	-	-	2,750
Food services	108,258	-	-	108,258
Transportation	233,750	-	-	233,750
Operation of plant	750,131	-	-	750,131
Maintenance of plant	50,770	-	-	50,770
Administrative tech	25,514	-	-	25,514
Debt service:				
Principal	-	1,572,850	-	1,572,850
Interest	-	81,361	-	81,361
Total expenditures	4,390,311	1,654,211	-	6,044,522
Excess (deficiency) of revenues over (under) expenditures	(1,129,477)	(1,654,211)	738,600	(2,045,088)
Other financing sources (uses):				
Loan proceeds	-	2,031,681	-	2,031,681
Transfer in	1,116,070	-	-	1,116,070
Transfer out	-	(377,470)	(738,600)	(1,116,070)
Total other financing sources (uses)	1,116,070	1,654,211	(738,600)	2,031,681
Net change in fund balances	(13,407)	-	-	(13,407)
Fund balances at July 1, 2020	311,824	-	-	311,824
Fund balances at June 30, 2021	$ 298,417	$ -	$ -	$ 298,417

The accompanying notes are an integral part of these financial statements.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Net change in fund balances - total government funds		$ (13,407)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report fixed capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Current year expenditures for capital assets	$ 507,122	
Current year depreciation expense	(74,812)	
Total capital assets		432,310
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Proceeds from PPP loan		(466,431)
Proceeds from note payable		(200,000)
Debt forgiveness		584,500
Proceeds from Charter School Capital advance		(1,365,250)
Principal payments on long-term debt		1,572,850
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in:		
Net pension	(1,764,559)	
Deferred inflows related to net pension	(2,633)	
Deferred outflows related to net pension	1,284,112	
		(483,080)
Change in net position of governmental activities		$ 61,492

The accompanying notes are an integral part of these financial statements.

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Language & Literacy Academy for Learning, Inc. 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 not-for-profit corporation began conducting business as Language & Literacy Academy for Learning, Inc. (the "School") in December 2017. The governing body of the School is the not-for-profit corporation's Board of Directors.

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, the Polk County District School Board (the "District"). The current charter is effective until June 30, 2023, and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. 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. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. 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 District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

2. Government-wide financial statements

The government-wide financial statements (the Statement of Net Position (Deficit) and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities. Any internal activity has been eliminated from the government-wide financial statements.

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide financial statements (continued)

The Statement of Net Position (deficit) reports the School's financial position as of the end of the fiscal year. In this statement, the School's net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, other items not properly included among program revenues are reported instead as general revenues.

3. Fund financial statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds. The following funds are used by the School:

GOVERNMENTAL FUNDS

General Fund - The general fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Debt Service Fund - The debt service fund is used to account for the resources accumulated and payments made for principal and interest on the debt.

Special Revenue Fund - The special revenue fund is used to account for financial resources associated with grants that are restricted to operational uses – i.e., National School Lunch Program, Idea funds, CSP grant, etc.

In the accompanying fund financial statements, the general fund, debt service fund, and special revenue fund are considered to be major funds and, therefore, are separately displayed.

4. Measurement focus and basis of accounting

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

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Measurement focus and basis of accounting (continued)

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

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other items are considered to be measurable and available only when cash is received.

5. Cash

Cash consists of deposits in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2021, there were $99,759 held in excess of FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

6. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid assets are reported as "non-spendable" in the funds financial statements to indicate that prepaid items do not represent available expendable resources.

7. Capital assets and depreciation

Capital assets are defined by the School as assets with an initial, individual cost of $750 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation. Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Furniture, fixtures and equipment	5
Leasehold improvements	5
Computer hardware and technology	5

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Revenue sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of FTE students and related data to the District. Under the provisions of 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 Educational Finance Program and the actual weighted FTE students reported by the School during the designated full-time equivalent student survey periods. The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

9. Long-term liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

10. Net position

Net position represents the difference between assets and liabilities and is reported in three categories as hereafter described. *Net investment in capital assets*, represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net position is reported as *restricted* when there are legal limitations imposed on its use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net position is net position that does not meet the definition of the classifications previously described. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

11. Fund equity

Governmental funds report separate classifications of fund balance.

Non-Spendable: The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Fund equity (continued)

Restricted: The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors.

Assigned: Assigned fund balance is defined as amounts that are constrained by the intent of the School's Board of Directors to be used for specific purposes, but are neither restricted nor committed. The School has given the authority to assign fund balance to the School's Principal. Assigned fund balance includes spendable fund balance amounts established by the Principal that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the Principal. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned: Unassigned fund balance is the residual classification for the general fund.

It is the policy of the School to use restricted resources to the extent which they are available, then committed resources, followed by assigned resources. Once these are consumed, the School will then use unassigned resources. The School does not have a formal policy requiring a minimum fund balance.

12. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make various estimates. Actual results could differ from those estimates.

13. Transfers

The purpose of interfund transfers is to cover receipts and payments made from the general fund on behalf of the other funds.

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Pensions

In the government-wide statement of net position, liabilities are recognized for the School's proportionate share of each pension plan's net pension. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan, the Health Insurance Subsidy (HIS) defined benefit plan, and additions to/deductions from the FRS and the HIS, fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

15. Deferred outflows/ inflows of resources

In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows of resources, represents an acquisition of net position that applies to a future period.

16. Income taxes

Language and Literacy Academy for Learning Inc. is a charter school, which qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Management has analyzed the School's various federal and state filing positions, including those pertaining to charter academy contracts and tax exempt status, and believes that its income tax filing positions and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The School remains subject to the examination by the Internal Revenue Service for the three years prior to June 30, 2021.

17. New GASB implementation

The GASB issued Statement 84, *Fiduciary Activities,* effective for fiscal 2021, which establishes criteria for the identification of fiduciary activities and provides guidance on reporting those activities. An activity meeting the criteria should be reported in a fiduciary fund. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The new GASB did not have an impact on the financial statements as the School did not have any funds which met the criteria.

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

18. New GASB pronouncement

The GASB issued Statement No. 87, *Leases,* which establishes new guidance for lease accounting for lessees and lessors and eliminates the classification of leases into operating or capital leases. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Lessees will recognize a lease liability and an intangible right to use lease asset. Lessors will recognize a lease receivable and a deferred inflow of resources. The new guidance is effective for fiscal 2022.

The School is evaluating the effect of this new standard on its financial statements.

NOTE B - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets depreciated:				
Furniture, fixtures, and equipment	$ 21,948	$ 101,840	$ -	$ 123,788
Leasehold improvements	159,661	298,264	-	457,925
Computer hardware and technology	8,628	107,018	-	115,646
Total assets depreciated	190,237	507,122	-	697,359
Less accumulated depreciation:				
Furniture, fixtures, and equipment	6,659	23,060	-	29,719
Leasehold improvements	28,729	36,903	-	65,632
Computer hardware and technology	3,227	14,849	-	18,076
Total accumulated depreciation	38,615	$ 74,812	$ -	113,427
Total governmental activities capital assets, net	$ 151,622			$ 583,932

Depreciation expense in the amount of $74,812 was charged to general support in the accompanying Statement of Activities.

NOTE C - CONCENTRATIONS

Revenue sources

As stated in Note A-8, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Source	Amount
School Board of Polk County:	
FEFP	$ 1,416,638
ESE guarantee allocation	761,315
Supplemental academic instruction	56,598
Digital classroom allocation	264
Safe schools	11,999
Compression allocation	9,491
Teacher salary increase allocation	46,956
Discretionary millage	65,224
Instructional materials allocation	16,733
Student transportation	200,327
Discretionary lottery	95,171
Prior year adjustments	523
Proration to funds available	(6,822)
Additional allocation	67,677
Class size reduction	334,995
Reading allocation	13,197
Total passed through the School District of Polk County	3,090,286
Federal passed through state	
National School Lunch Program	131,076
CSP grant	261,986
Idea funds	269,862
CARES Act grants	11,778
Title I	59,582
Title II	4,316
Local revenue	
Donations	8,574
Fundraisers	9,410
Other local revenues	26,744
Student services	125,820
Debt forgiveness	584,500
Total general revenues	$ 4,583,934

The administration fee paid to the District during the year ended June 30, 2021, totaled $72,731.

NOTE D - LONG-TERM LIABILITIES

The School entered into various loan agreements during the year ended June 30, 2021. The following is a summary of changes:

	Long-term obligations at July 1, 2020	Additions	Reductions	Long-term obligations at June 30, 2021	Due within one year
Charter School Capital	$ 556,000	$ 1,365,250	$ (1,372,850)	$ 548,400	$ 548,400
PPP Loan 1	574,500	-	(574,500)	-	-
PPP Loan 2	-	466,431	-	466,431	466,431
SBA Loan	10,000	-	(10,000)	-	-
CenterState Bank Loan	-	200,000	(200,000)	-	-
	$ 1,140,500	$ 2,031,681	$ (2,157,350)	$ 1,014,831	$ 1,014,831

Charter School Capital

The School has a receivable purchase agreement with Charter School Capital, Inc. ("Charter School Capital") for purchasing of receivable balances of District FEFP funds. The School receives advances against the receivables for operational needs. The advances have no fixed payment and are considered to be due within one year, carrying interest rates at the date of advance based upon short-term LIBOR and Prime interest rates. At June 30, 2021, payments for interest totaled $79,656, with rates between approximately 2.29% to 5.25%.

PPP Loan 1

On March 27, 2020, the Coronavirus Aid Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 outbreak. Under the CARES Act, the Paycheck Protection Program ("PPP") was established to provide assistance to small businesses with resources needed to maintain payroll and cover applicable overhead. On May 1, 2020, the School, through a financial institution, was approved for and received a loan in the amount of $574,500 under this program. On February 19, 2021, management obtained forgiveness of the loan and reclassified the loan to debt forgiveness.

SBA Loan

During fiscal 2021, the School recognized forgiveness of its $10,000 EDIL advance received in the prior fiscal year.

NOTE D - LONG-TERM LIABILITIES (continued)

PPP Loan 2

On February 11, 2021, the School, through a financial institution, was approved for an additional loan in the amount of $466,431 under the PPP. The proceeds of this loan were used by the School in accordance with Section 1102 of the CARES Act and the School will seek forgiveness of the loan. As of the date of the financials the forgiveness process is not complete, however, management believes forgiveness will be obtained. The unforgiven portion of the loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first six months.

CenterState Bank Loan

On December 3, 2020, the School entered into a loan agreement with CenterState Bank for $200,000. The loan matures on June 3, 2023 with interest fixed at 4.95% and includes monthly installments of principal and interest of $7,107. In February 2021, the loan was paid off in full. Interest payments under the loan totaled $1,705.

NOTE E - OPERATING LEASE

Beginning July 2018, the School leases its facilities under an operating lease with an unrelated party that expires in June 2021 and was subsequently renewed through October 2023. Minimum monthly lease payments include $10,000 plus utilities and applicable sales and use tax, for the life of the agreement. The renewed lease requires minimum monthly lease payments of $15,500.

Effective October 2020, the School leases three modular classroom buildings for student instruction with an unrelated party that expires September 2025. Monthly lease payments include rent and personal property tax of $4,163.

Lease expense for the year ended June 30, 2021 totaled $190,463 which is included in facility and acquisition of the accompanying financial statements.

Future minimum lease payments as of June 30 are as follows:

2022	$ 295,950
2023	235,950
2024	111,950
2025	12,488
	$ 656,338

NOTE F - EMPLOYEE RETIREMENT SYSTEMS

General Information about the Pension Plan – Plan Description and Administration

The School participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the School's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the School are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by $5. The minimum payment is $30 and the maximum payment is $150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage

NOTE F - EMPLOYEE RETIREMENT SYSTEMS (continued)

General Information about the Pension Plan – Plan Description and Administration (continued)

value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Deferred Retirement Option Program (DROP), subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months.

During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

NOTE F - EMPLOYEE RETIREMENT SYSTEMS (continued)

General Information about the Pension Plan – Plan Description and Administration (continued)

Contributions

The School participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at June 30, 2021, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Employee Contribution Rate	Employee Contribution Rate
Regular Class	3.00%	10.82%
Senior Management	3.00%	29.01%
DROP Employees	0.00%	18.34%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, included in the above rates.

Actual contributions made for School employees participating in FRS and HIS for the plan year ended June 30, 2021, were as follows:

School Contribtuions - FRS	$	147,873
School Contributions - HIS	$	35,888
Employee Contributions - FRS	$	63,936

At June 30, 2021, the School Reported a net pension liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	$ 1,645,187
HIS	859,833
Total	$ 2,505,020

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined.

NOTE F - EMPLOYEE RETIREMENT SYSTEMS (continued)

Net Pension Liability, Pension Expense, and deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2021, the School's proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2021
FRS	0.003798584%
HIS	0.007042134%

For the plan year ended June 30, 2020, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	$ 492,552
HIS	174,288
Total	$ 666,840

Deferred outflows/inflows related to pensions:

At June 30, 2021, deferred outflows of resources and deferred inflows of resources related to pensions were recorded from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 62,964	$ -	$ 35,172	$ 663
Changes of assumptions	297,829	-	92,457	49,996
Net difference between projected and actual investment earnings	97,955	-	687	-
Change in proportionate share	697,873	-	610,381	-
Contributions subsequent to measurement date	147,873	-	35,888	-
	$ 1,304,494	$ -	$ 774,585	$ 50,659

The above amounts for deferred outflows of resources for contributions related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

NOTE F - EMPLOYEE RETIREMENT SYSTEMS (continued)

Net Pension Liability, Pension Expense, and deferred Outflows and Inflows of Resources Related to Pensions (continued)

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

Fiscal Years ending June 30,	FRS	HIS
2022	$ 241,587	$ 125,017
2023	294,286	119,467
2024	272,200	107,881
2025	221,865	113,641
2026	126,683	117,299
Thereafter	-	104,733
Total	$ 1,156,621	$ 688,038

Actuarial assumptions:

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.80%. This rate decreased from the prior year rate, which was 6.90%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.21% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.87%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

NOTE F - EMPLOYEE RETIREMENT SYSTEMS (continued)

Net Pension Liability, Pension Expense, and deferred Outflows and Inflows of Resources Related to Pensions (continued)

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2018, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Long-Term Arithmetic Expected Rate of Return
Cash	1.0%	2.2%
Fixed income	19.0%	3.0%
Global equities	54.2%	8.0%
Real estate	10.3%	6.4%
Private equity	11.1%	10.8%
Strategic investments	4.4%	5.5%
Total	100.0%	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the School calculated using the current discount rates, as well as what the School's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	6.80%	$ 2,627,067	$ 1,645,174	$ 825,093
HIS	2.21%	993,929	859,833	750,076

NOTE G - RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School's financial condition, liquidity, and future results of operations. Management is actively monitoring the global pandemic situation.

NOTE H - SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 30, 2021, which is the date the financial statements were available be issued.

REQUIRED SUPPLEMENTAL INFORMATION

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

Year Ended June 30, 2021

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Florida Education Finance Program	$ 3,242,156	$ 3,090,286	$ 3,090,286	$ -
Capital outlay	114,750	-	-	-
Local revenue				
Student lunches	5,000	-	-	-
Before and after care	8,000	-	-	-
Donations	-	8,574	8,574	-
Fundraisers	-	9,410	9,410	-
Student services	-	125,820	125,820	-
Other local revenues	-	26,744	26,744	-
Total revenues	3,369,906	3,260,834	3,260,834	-
Expenditures				
Current:				
Instruction	5,320	260,423	260,423	-
Exceptional instruction	2,381,453	1,984,996	1,984,996	-
Instructional support	18,850	10,369	10,369	-
Board expenses	9,000	11,250	11,250	-
General administration	64,843	72,731	72,731	-
General support	610,222	688,906	688,906	-
Facility and acquisition	120,000	190,463	190,463	-
Information services	4,100	-	-	-
Fiscal services	3,000	2,750	2,750	-
Food services	130,000	108,258	108,258	-
Transportation	189,063	233,750	233,750	-
Operation of plant	189,890	750,131	750,131	-
Maintenance of plant	42,000	50,770	50,770	-
Administrative tech	3,000	25,514	25,514	-
Debt service	36,500	-	-	-
Total expenditures	3,807,241	4,390,311	4,390,311	-
Excess (deficiency) of revenues over (under) expenditures	(437,335)	(1,129,477)	(1,129,477)	-
Other financing sources (uses):				
Transfer	-	1,116,070	1,116,070	-
Total other financing sources (uses)	-	1,116,070	1,116,070	-
Net change in fund balance (deficit)	(437,335)	(13,407)	(13,407)	-
Fund balance at July 1, 2020	311,824	311,824	311,824	-
Fund balance (deficit) at June 30, 2021	$ (125,511)	$ 298,417	$ 298,417	$ -

See note to required supplemental information.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUND

Year Ended June 30, 2021

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Federal passed through state				
National School Lunch Program	$ 125,000	$ 131,076	$ 131,076	$ -
Grants	415,272	543,626	543,626	-
Title I	-	59,582	59,582	-
Title II	-	4,316	4,316	-
Total revenues	540,272	738,600	738,600	-
Expenditures				
Exceptional instruction	-	-	-	-
Food services	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	540,272	738,600	738,600	-
Other financing sources (uses):				
Loan proceeds	-	-	-	-
Transfer	(540,272)	(738,600)	(738,600)	-
Total other financing sources (uses)	(540,272)	(738,600)	(738,600)	-
Net change in fund balance	-	-	-	-
Fund balance at July 1, 2020	-	-	-	-
Fund balance at June 30, 2021	$ -	$ -	$ -	$ -

See note to required supplemental information.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY - LAST 10 FISCAL YEARS AS OF JUNE 30

	2021	2020
Florida Retirement System (FRS)		
Proportion of the net pension liability	0.003795843%	0.001440509%
Proportionate share of the net pension liability (asset)	$ 1,645,174	$ 496,091
Covered-employee payroll	$ 2,163,717	$ 2,496,403
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.03%	19.87%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%
Health Insurance Subsidy Program (HIS)		
Proportion of the net pension liability	0.007044213%	0.002184023%
Proportionate share of the net pension liability (asset)	$ 859,833	$ 244,370
Covered-employee payroll	$ 2,163,717	$ 2,496,403
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.74%	9.79%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the School will present information for only those years for which information is available.

See notes to required supplemental information.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

SCHEDULE OF CONTRIBUTIONS - LAST 10 FISCAL YEAR AS OF JUNE 30

	2021	2020
Florida Retirement System (FRS)		
Contractually required contribution	$ 147,873	$ 126,119
Contributions in relation to the contractually required contribution	(147,873)	(126,119)
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 2,163,717	$ 2,496,403
Contributions as a percentage of covered-employee payroll	6.83%	5.05%
Health Insurance Subsidy (HIS)		
Contractually required contribution	$ 35,888	$ 40,581
Contributions in relation to the contractually required contribution	(35,888)	(40,581)
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 2,163,717	$ 2,496,403
Contributions as a percentage of covered-employee payroll	1.66%	1.63%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the School will present information for only those years for which information is available.

See notes to required supplemental information.

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

Annual budgets are adopted for the entire operations and may be amended by the Board of Directors (the "Board"). Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and the debt service fund for which a legally adopted budget exists.

NOTE B - PENSIONS SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS – FRS PENSION PLAN

The Florida Retirement System Actuarial Assumptions Conference performs an annual review of the actuarial assumptions for the FRS Pension Plan. The most recent study for the FRS Pension Plan was completed in 2014 for the period of July 1, 2008 through June 30, 2013. There were no changes in the Pension Plan benefit terms. The following were changes in actuarial assumptions in 2021:

- The inflation rate assumption decrease from 2.6 percent to 2.4 percent.
- Payroll growth, including inflation, remained at 3.25 percent.
- The long-term expected rate of return decreased from 6.9 percent to 6.8 percent.

A summary of key changes in plan provisions are described in the Florida Department of Management Services, GASB 68 Reporting Information, which can be found at: http://www.dms.myflorida.com/workforceoperations/retirement/publications/annual reports

A summary of key changes implemented since the latest valuation are described in the Florida Department of Management Services, Actuarial Valuations at: http://www.dms.myflorida.com/workforceoperations/retirement/publications/actuarial valuations

NOTE C - PENSIONS SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS – HIS PENSION PLAN

The Florida Retirement System Actuarial Assumptions Conference performs an annual review of the actuarial assumptions for the FRS Pension Plan. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent study for the FRS Pension Plan was completed in 2014 for the period of July 1, 2008 through June 30, 2013. There were no changes in the HIS Program benefit terms. The following were changes in actuarial assumptions in 2021:

- The inflation rate assumption remained decreased from 2.6 percent to 2.4 percent.
- Payroll growth, including inflation, remained at 3.25 percent.
- The long-term expected rate of return decreased from 6.9 percent to 6.8 percent.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.50% was used to determine the total pension liability for the program.

A summary of key changes in plan provisions are described in the Florida Department of Management Services, GASB 68 Reporting Information, which can be found at: http://www.dms.myflorida.com/workforceoperations/retirement/publications/annual_reports

A summary of key changes implemented since the latest valuation are described in the Florida Department of Management Services, Actuarial Valuations at: http://www.dms.myflorida.com/workforceoperations/retirement/publications/actuarial valuations

SUPPLEMENTAL INFORMATION

Partners
W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Thomas F. Regan
Ernie R. Janvrin
Richard F. Hayes
Renee C. Varga
Shawn M. Marshall

Winter Park, FL 32789
501 S. New York Ave.
Suite 100
Phone: 407-644-5811
www.mosskrusick.com

N. Palm Beach, FL 33408
631 US Highway One
Suite 405
Phone: 561-848-9300

Miami Lakes, FL 33016
7900 NW 155th Street
Suite 201
Phone: 305-445-7956

American Institute of Certified Public Accountants

Florida Institute of Certified Public Accountants

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

To the Board of Directors of
Language & Literacy Academy for Learning, Inc.
Winter Haven, 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 Language & Literacy Academy for Learning, Inc. (the "School") as of and for the year ended June 30, 2021, 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 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 30, 2021

Partners
W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Thomas F. Regan
Ernie R. Janvrin
Richard F. Hayes
Renee C. Varga
Shawn M. Marshall

Winter Park, FL 32789
501 S. New York Ave.
Suite 100
Phone: 407-644-5811
www.mosskrusick.com

N. Palm Beach, FL 33408
631 US Highway One
Suite 405
Phone: 561-848-9300

Miami Lakes, FL 33016
7900 NW 155th Street
Suite 201
Phone: 305-445-7956

American Institute of Certified Public Accountants

Florida Institute of Certified Public Accountants

MANAGEMENT LETTER

To the Board of Directors of
Language & Literacy Academy for Learning, Inc.
Winter Haven, Florida

Report on the Financial Statements

We have audited the financial statements of Language & Literacy Academy for Learning, Inc. (the "School"), as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 30, 2021.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 30, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In that regard, there are no uncorrected findings to report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of Education of the entity are *Language & Literacy Academy for Learning, Inc. and 8008.*

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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 review of financial information provided by same.

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

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and the school board of Polk County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 30, 2021

MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2021, there were no management finding, recommendations or responses.