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**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
A CHARTER SCHOOL  
AND COMPONENT UNIT  
OF THE OSCEOLA COUNTY  
SCHOOL BOARD  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2019**

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
OSCEOLA COUNTY DISTRICT SCHOOL BOARD  
JUNE 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Avant Garde Academy, Inc.  
D/B/A Avant Garde Academy K8 of Osceola  
Kissimmee, Florida

### Report on the Financial Statements

We have audited the charter school financial statements of the governmental activities and each major fund of Avant Garde Academy, Inc. D/B/A Avant Garde Academy K8 of Osceola (the "Charter School"), which is a component unit of the Osceola County District School Board, Kissimmee, Florida, as of, and for the year ended June 30, 2019, which collectively comprises the Charter School's basic financial statements as listed in the table of contents for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provision of Chapter 10.850, Charter School's audit, issued by the Auditor General of the State of Florida. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of 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.

## INDEPENDENT AUDITORS' REPORT – Continued

### **Auditors' Responsibility (Continued)**

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

### **Emphasis of Matter**

#### *Going Concern*

The Charter School financial statements have been prepared assuming that the Charter School will continue as a going concern. As discussed in Note 11 to the financial statements, the Charter School has suffered recurring losses from operations, has a net position deficiency, and substantial doubt exists about the Charter School's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

#### *Financial Reporting*

As described in Note 1, the charter School financial statements referred to above present only the financial position of Avant Garde Academy K8 of Osceola at June 30, 2019, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Avant Garde Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Avant Garde Academy, Inc. as of June 30, 2019 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charter School, as of June 30, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITORS' REPORT – Continued**

**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 on pages 3–8 and 28–29 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 View of Responsible Management and Planned Corrective Actions 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 20, 2019, on our consideration of the Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Miami, Florida  
September 20, 2019

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2019**

As management of Avant Garde Academy, Inc. D/B/A Avant Garde Academy K8 of Osceola (the "Charter School"), we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here through page 9 of this report.

**Overview of the financial statements**

The discussion and analysis are intended to serve as an introduction to the Charter School's basic financial statements. The Charter School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

*Government-wide financial statements*

The government-wide financial statements, which consist of the statement of Net Position and the statement of activities, are designed to provide readers with a broad overview of the Charter School's finances, in a manner similar to a private sector business.

The statement of Net Position provides information on all the Charter School's assets and liabilities, with the difference between the two 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 Charter School is improving or deteriorating. However, as a governmental entity, the Charter School's activities are not geared towards generating profit as are the activities of commercial entities. Other factors such as the safety at the Charter School and quality of education, must be considered in order to reasonably assess the Charter School's overall performance.

The statement of activities presents information showing how the Charter 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, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 11-12 of this report.

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2019**

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School, like other state and local governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Charter School has only one category of funds – 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 the Charter School's near-term financing 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 presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Charter School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

*Notes to the Financial Statements*

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements.

The notes to the financial statements can be found on pages 18-27 of this report.

**Supplementary Information**

In addition to basic financial statements and Charter school notes, this report also presents certain required supplementary information concerning the Charter School's adopted budget to actual results.

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2019**

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table presents an analysis of the condensed government-wide statements of net position:

**CONDENSED STATEMENT OF NET POSITION**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Variance</u>
<b><u>Assets</u></b>			
Current assets	\$ 98,573	\$ 320,445	\$ (221,872)
Non-current assets	-	140,035	(140,035)
Capital Assets, net	70,848	79,791	(8,943)
	<u>169,421</u>	<u>540,271</u>	<u>(370,850)</u>
<b><u>Liabilities</u></b>			
Current liabilities	907,854	749,715	158,139
Total liabilities	<u>907,854</u>	<u>749,715</u>	<u>158,139</u>
<b><u>Net Position</u></b>			
Net Investment in Capital Assets	70,848	79,791	(8,943)
Unrestricted	<u>(809,281)</u>	<u>(289,235)</u>	<u>(520,046)</u>
Total Net Position	<u>\$ (738,433)</u>	<u>\$ (209,444)</u>	<u>(528,989)</u>
Total Liabilities and Net Position	<u>\$ 169,421</u>	<u>\$ 540,271</u>	<u>\$ (370,850)</u>

At the end of the fiscal year, the Charter School reports a negative balance in net position of \$738,433 with a negative increase of \$(528,989) from the prior year. The Charter School's net position reflects its investment in capital assets (e.g. buildings, building improvements, furniture, fixtures and equipment), net of related debt. The Charter School uses its capital assets to provide services to students. Consequently, these assets are not available for future spending.

Resources that are subject to external restrictions on how they may be used are classified as restricted assets. As of June 30, 2019, the Charter school had no restricted assets. The remaining unrestricted balance may be used in any of the Charter School's ongoing operations.



**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2019**

**Government-wide Financial Analysis - Continued**

The following table presents information on the condensed government-wide statements of changes in net position:

**CONDENSED STATEMENT OF CHANGES IN NET POSITION**

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
Revenues:			
General revenues	\$ 1,858,788	\$ 2,055,999	\$ (197,211)
Program revenues:			
Operating grants and contributions	122,484	102,522	19,962
Capital grants and contributions	61,057	-	61,057
Miscellaneous revenue	14,155	111,718	(97,563)
Total revenues	<u>2,056,484</u>	<u>2,270,239</u>	<u>(213,755)</u>
Expenses:			
Instruction	1,035,308	1,411,471	(376,163)
School Board	12,613	23,752	(11,139)
General administration	87,154	85,207	1,947
School administration	211,836	330,788	(118,952)
Fiscal services	25,657	59,750	(34,093)
Pupil transportation	206,212	134,732	71,480
Operation of plant	955,247	600,747	354,500
Maintenance of plant	8,405	23,062	(14,657)
Unallocated depreciation expense	43,041	38,230	4,811
Total expenses	<u>2,585,473</u>	<u>2,707,739</u>	<u>(122,266)</u>
Change in net position	(528,989)	(437,500)	(91,489)
Net Position - Beginning	<u>(209,444)</u>	<u>228,056</u>	<u>(437,500)</u>
Net Position - End	<u>\$ (738,433)</u>	<u>\$ (209,444)</u>	<u>\$ (528,989)</u>

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2019**

**Government-wide financial analysis - Continued**

- At year-end there were 266 students in grades K-8th grade. Revenues are based on the amount received per student from the State through the School Board of Osceola County.
- Expenses for instruction are the result of teachers' salaries and related benefits, and materials and supplies that directly impact student learning.
- School administration is due primarily to administrators and other administrative personnel and related benefits as well as administrative costs.
- Plant operations expenses consist of utilities, communications, insurance cost, support personnel and related benefits.

**Financial Analysis of the Charter School's Funds**

As noted earlier, the Charter School uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The focus of the Charter School's governmental funds is to provide information on near-term inflows, outflows and spendable resources. Such information is useful in assessing the Charter School's financing requirements. Unreserved fund balance may serve as a useful measure of the Charter School's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2019 the Charter School's governmental fund reported a negative ending fund balance of \$709,281.

**Budgetary Highlights**

The general fund budget for the fiscal year ended June 30, 2019, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget. Refer to the Budgetary Comparison Schedule for additional information on Page 29.

**Capital Assets and Debt Administration**

As of June 30, 2019, the Charter School had investment in capital assets of \$70,848. This amount is net of accumulated depreciation of \$123,626. Capital assets additions in the current year include new computer software, computers and furniture.

The Charter School has no long-term debt as of June 30, 2019.

**AVANT GARDE ACADEMY, INC.**  
**D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**YEAR ENDED JUNE 30, 2019**

**Economic Factors**

During fiscal year 2019, the Charter School's net position was negative \$738,433. As discussed in Note 11 to the financial statements, the Charter School has suffered recurring losses from operations and has a significant net position deficiency and that substantial doubt exists about the Charter School's ability to continue as a going concern.

**School Enrollment**

During the fiscal year June 30, 2019, the grade levels at the Charter School ranged from K-8<sup>th</sup> grade, with a total enrollment of 266 students.

**Requests for Information**

This financial report is designed to provide a general overview of the Avant Garde Academy K8 of Osceola's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Julie Valent, Avant Garde Academy K8 of Osceola, 2880 N. Orange Blossom Trail, FL 34741

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE OSCEOLA COUNTY DISTRICT SCHOOL BOARD  
BASIC FINANCIAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019**

**AVANT GARDE ACADEMY, INC.**  
**D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

		2019 Governmental Activities
<hr/>		
<b>Assets</b>		
<b><u>Current Assets</u></b>		
Cash	\$	16,394
Accounts receivable		61,346
Deposit receivable		20,833
Total Current Assets		<hr/> 98,573
Furniture, fixtures, equipment and software		194,474
Less accumulated depreciation		<hr/> (123,626)
		70,848
Total Assets	\$	<hr/> <hr/> 169,421
<b>Liabilities and Net Assets</b>		
<b><u>Current liabilities</u></b>		
Salaries and wages payable	\$	100,273
Accounts payable		564,720
Line of credit		100,000
Due to other agency		142,861
Total current liabilities		<hr/> 907,854
Invested in capital assets, net of related debt		70,848
Unrestricted		<hr/> (809,281)
Total Net Position		(738,433)
Total Liabilities and Net Position	\$	<hr/> <hr/> 169,421

The Charter School notes are an integral part of these statements

**AVANT GARDE ACADEMY, INC.**  
**D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2019**

	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Assets
Governmental activities					
Instruction	\$ 1,035,308	\$ -	\$ 122,484	\$ -	(912,824)
School board	12,613	-	-	-	(12,613)
General administration	87,154	-	-	-	(87,154)
School administration	211,836	-	-	-	(211,836)
Fiscal services	25,657	-	-	-	(25,657)
Pupil transportation	206,212	-	-	-	(206,212)
Operation of plant	955,247	-	-	61,057	(894,190)
Maintenance of plant	8,405	-	-	-	(8,405)
Unallocated depreciation expense	43,041	-	-	-	(43,041)
	<b>\$ 2,585,473</b>	<b>\$ -</b>	<b>\$ 122,484</b>	<b>\$ 61,057</b>	<b>\$ (2,401,932)</b>
General revenues:					
					1,858,788
State Sources					14,155
Miscellaneous					14,155
					1,872,943
Total general revenues					1,872,943
					(528,989)
Change in net assets					(528,989)
Net Assets - July 1, 2018					(209,444)
Net Assets - June 30, 2019					\$ (738,433)

**The Charter School notes are an integral part of these statements**

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE OSCEOLA COUNTY  
COUNTY DISTRICT SCHOOL BOARD  
FUND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**AVANT GARDE ACADEMY, INC.**  
**D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA**  
**BALANCE SHEET – GOVERNMENTAL FUND**  
**JUNE 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 16,394	\$ -	\$ 16,394
Accounts receivable	55,795	5,551	61,346
Due from special revenue	5,551	-	5,551
Deposits receivable	<u>20,833</u>	<u>-</u>	<u>20,833</u>
Total Assets	<u>\$ 98,573</u>	<u>\$ 5,551</u>	<u>\$ 104,124</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and wages payable	\$ 100,273	\$ -	\$ 100,273
Accounts payable	564,720	-	564,720
Due to general fund	-	5,551	5,551
Due to other agency	<u>142,861</u>	<u>-</u>	<u>142,861</u>
Note payable- current portion	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 807,854</u>	<u>\$ 5,551</u>	<u>\$ 813,405</u>
Fund Balances:			
Nonspendable			
Deposit receivable	20,833	-	20,833
Unassigned	<u>(730,114)</u>	<u>-</u>	<u>(730,114)</u>
Total fund balances	<u>(709,281)</u>	<u>-</u>	<u>(709,281)</u>
Total Liabilities and Fund Balances	<u>\$ 98,573</u>	<u>\$ 5,551</u>	<u>\$ 104,124</u>

**The Charter School notes are an integral part of these statements**



**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

Total fund balances- Governmental funds, Page 14	\$	(709,281)
<p>Amounts reported for governmental activities in the Statement of Net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Cost of capital assets	\$	194,474
Accumulated depreciation		70,848
		(123,626)
Line of credit		(100,000)
Total Net Position - governmental activities, Page 11	\$	(738,433)

**The Charter School notes are an integral part of these statements**

**AVANT GARDE ACADEMY, INC.**  
**D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND BALANCE – GOVERNMENTAL FUND**  
**JUNE 30, 2019**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues</b>			
State Sources - FTE	\$ 1,858,788	\$ -	\$ 1,858,788
Operating grants and contributions	41,959	80,525	122,484
Capital grants and contributions	61,057	-	61,057
Miscellaneous revenue	14,155	-	14,155
<b>Total revenues</b>	<b>1,975,959</b>	<b>80,525</b>	<b>2,056,484</b>
<b>Expenditures</b>			
Instruction	954,783	80,525	1,035,308
School Board	12,613	-	12,613
General administration	87,154	-	87,154
School administration	211,836	-	211,836
Fiscal services	25,657	-	25,657
Pupil transportation	206,212	-	206,212
Operation of plant	815,212	-	815,212
Capital outlay:			
Furniture & equipment	34,098	-	34,098
<b>Total current expenditure</b>	<b>2,355,970</b>	<b>80,525</b>	<b>2,436,495</b>
<b>Excess of revenues over expenditures</b>	<b>(380,011)</b>	<b>-</b>	<b>(380,011)</b>
<b>Other Financing Sources:</b>			
Proceeds from line of credit	100,000	-	100,000
<b>Total other financing sources</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>
<b>Net change in fund balance</b>	<b>(280,011)</b>	<b>-</b>	<b>(280,011)</b>
Fund balance - July 1, 2018	(429,270)	-	(429,270)
Fund balance - June 30, 2019	\$ (709,281)	\$ -	\$ (709,281)

**The Charter School notes are an integral part of these statements**

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
JUNE 30, 2019**

Total net changes in fund balance - governmental funds, Page 16	\$	(280,011)
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Amounts reported for governmental activities in the statement of net position are different because:

Capital outlays are reported in governmental funds as expenditures however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Cost of capital assets purchased	\$	34,098	
Provision for depreciation		<u>(43,041)</u>	(8,943)

Non-current assets do not represent current financial resources and therefore are not reported in the governmental fund	(140,035)
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Line of credit	(100,000)
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Change in Net Position of governmental activities, Page 12	\$	<u><u>(528,989)</u></u>
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**The Charter School notes are an integral part of these statements**

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – ORGANIZATION AND OPERATIONS**

**Nature of Operations**

The Avant Garde Academy K8 of Osceola (“School”), a charter school under Avant Garde Academy, Inc., is a component of the District School Board of Osceola County, Florida (“District”). The School’s charter is held by Avant Garde Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The Charter School provides educational services to students in kindergarten through eighth. The core philosophy and purpose of the Charter School is to demonstrate that the Charter School’s students can learn at high levels through an academically rigorous and innovative curriculum that incorporates the development of good character.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity:**

The Charter School operates under a charter of the sponsoring school district, Osceola County District School Board (the “District”). The renewed charter is effective until June 30, 2020 and may be renewed in increments of 5 to 15 years by mutual agreement between the Charter School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the Charter School in writing at least 90 days prior to the Charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Avant Garde Academy, Inc. D/B/A Avant Garde Academy K8 of Osceola is considered a component unit of the Osceola County District School Board.

Criteria of determining if other entities are potential component units which should be reported within the Charter School’s financial statements are identified and described in the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Charter School is financially accountable and other organizations for which the nature and significance of their relationship with the

**AVANT GARDE ACADEMY, INC.**  
**D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Charter Schools are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Charter School.

**Basis of Presentation:**

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audit for States and Local Governments and provisions of Florida Statutes, the Charter School is presented as a governmental organization for financial statement reporting purposes.

**Government-wide Financial Statement:**

The government-wide financial statements (i.e., the statement of Net Position and the statement of changes in Net Position) report information on all activities of the Charter School. The effect of interfund activity, generally, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) operating grants and contributions that are used to meet the operational requirements of a particular function or program, and 2) capital grants and contributions that are restricted to meeting the capital requirements of a particular function or program.

**Fund financial statements:**

The Charter School accounts are organized on the basis of funds. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures.

*General Fund* – is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

*Special Revenue Fund* – accounts for specific revenue, such as federal grants and capital outlay grants that are legally restricted to expenditures for particular purposes.

*Agency Fund* – accounts for resources of the School's Internal Fund, which is used to administer monies collected at the schools in connection with school, student athletics, class, and club activities.

**AVANT GARDE ACADEMY, INC.**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Measurement Focus, Basis of Accounting:**

The financial statements of the Charter School are prepared in accordance with generally accepted accounting principles (GAAP). The Charter School’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*.

The government-wide statements report using the economic resources measurement focus and the full 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. Revenues from non-exchange transactions are reported according to GASB Codification Section 1600.111 and Section N50 Accounting and Financial Reporting for Non-Exchange Transactions. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have satisfied.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenues is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). “Measurable” means the amount of the transaction can be determined and “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 Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

**Capital assets**

Capital assets, which include land, buildings, building improvements, furniture and fixtures, equipment and library books are reported in the applicable governmental activities in the government-wide financial statements. Capital assets are defined by the Charter School as assets with an initial, individual cost of more than \$500 and a life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Estimated useful lives, in years, for depreciable assets are as follows:

Furniture, equipment and computers	5 years
Computer equipment	3-5 years
Software	3 years

Donated capital assets, if any, are recorded at estimated fair value at the date of donation.

Within governmental funds, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported within the governmental fund financial statements.

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
NOTES TO THE FINANCIAL STATEMENTS**

**Due from Other Governments or Agencies**

Amounts due to the Charter School by other governments or agencies are for grants or programs under which the services have been provided by the Charter School.

**Revenue Sources**

Revenues for operations will be received primarily from the District pursuant to the funding provisions included in the Charter School's charter. In accordance with the funding provisions of the charter and section 1002.33, Florida Statutes, the Charter School will report 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 the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the Charter School during the designated full-time equivalent student survey periods.

The Charter School also receives the Unified School Improvement Grant and Federal funding for the school food program. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenues are recognized to the extent that eligible expenditures have been incurred. Also, other revenues may be derived from various fundraising activities and certain other programs.

**Compensated Absences**

The Charter School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work.

GASB Codification Section C60, Accounting for Compensated Absences, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place.

Accordingly, these financial statements do not include an accrual for sick days available to be used in future benefit years.

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
NOTES TO THE FINANCIAL STATEMENTS**

**Deferred outflows/Inflows of Resources:**

The statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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 then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Equity classifications:**

*Government-wide financial statement*

Equity is classified as Net Position and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Position – consists of Net Position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation. There are no restricted Net Position.
- c. Unrestricted Net Position – all other Net Position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”

*Fund financial statements*

GASB Codification Section 1800.142. Fund Balance Reporting and Governmental Fund Type Definitions defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories lists below:

- a. Nonspendable fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end related to not in spendable asset form.
- b. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource provider, or through enabling legislation. Restricted fund balance of the School relates to reserves required by the landlord for property maintenance and repairs.



**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

*Fund financial statements-continued*

- c. Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Charter School’s Board of Director. There are no committed fund balances at year end.
- d. Assigned – fund balance classification is intended to be used by the Charter School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e. Unassigned – fund balance is the residual classification for the Charter school’s general fund and includes all spendable amounts not contained in the other classification,

**Encumbrances**

Encumbrances represent commitments relating to unperformed contracts for goods or services. At June 30, 2019, there were no encumbrances outstanding.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Subsequent Events**

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition of disclosure through September 30, 2019, which is the date the financial statements were available to be issued.

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3 - CASH AND CERTIFICATE OF DEPOSIT**

As of June 30, 2019, the bank balance was \$16,394. The individual bank balance did not exceed the FDIC limit as of June 30, 2019.

The Charter School is operated under a Charter sponsored by the Osceola County School District as described in Note 1. Accordingly, its bank deposits are governed by Chapter 280 of the Florida Statutes. All time and demand deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act", the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral having a market value equal to an amount from 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held.

The percentage of eligible collateral (generally, U.S. Government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its financial condition. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. Therefore, all cash deposits in an approved Florida banking institution are both collateralized and insured and not subject to a concentration of credit risk or a custodial credit risk as defined in Government Accounting Standards Board ("GASB") Statement No. 40. The Charter School has no monetary assets other than cash in an approved depository.

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable represent reimbursements from the Unified School Improvement Grant of \$31,947, Title I funding of \$5,551 and Osceola School Board of \$23,848. As of June 30, 2019, the total balance for accounts receivable is \$61,346.

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 – CAPITAL ASSETS**

<u>Governmental Activities</u>	<b>Beginning Balance July 1, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance June 30, 2019</b>
Furniture, Fixtures, and Equipment	\$ 43,219	\$ 9,412	\$ -	\$ 52,631
Computer Equipment	88,193	-	-	88,193
Software	28,964	24,686	-	53,650
	<u>160,376</u>	<u>34,098</u>	<u>-</u>	<u>194,474</u>
Less: Accumulated Depreciation for:				
Furniture, Fixtures, and Equipment	(17,288)	(7,519)		(24,807)
Computer Equipment	(40,512)	(17,639)		(58,151)
Software	(22,785)	(17,883)		(40,668)
Total Accumulated Depreciation	<u>(80,585)</u>	<u>(43,041)</u>	<u>-</u>	<u>(123,626)</u>
Goernmental Activities Capital Assets, Net	<u>\$ 79,791</u>	<u>\$ (8,943)</u>	<u>\$ -</u>	<u>\$ 70,848</u>

The depreciation expense for the year ended June 30, 2019 amounted to \$43,041.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

**Management Contract:**

The School entered into a management agreement for the period June 8, 2015 to June 30, 2030 with LBS Services, Inc. (“Charter School”). The Charter School will manage and operate the School during the term of the agreement. An annual fee of 11% of the gross operating revenue less the School’s administrative fee is to be paid in monthly installments. The contract calls for the Charter School to be responsible for the management, operation, administration, and Educational Program at the School. The Charter School agreed to waive all management fees for the fiscal year ended June 30, 2019.

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 – COMMITMENTS AND CONTINGENCIES - continued**

**Lease Agreement:**

Avant Garde Academy, Inc., the School’s charter-holder, entered into a lease agreement with MRBK, LLC for its educational facility through September 30, 2037. Rent expense charged to operations for the year ended June 30, 2019 totaled \$440,000.

The total future minimum payments for the years ended June 30, are as follows

Year Ending June 30,	2020	\$	710,500
	2021		724,710
	2022		739,204
	2023		753,988
	Thereafter		12,534,988
	<b>Total</b>	<b>\$</b>	<b>15,463,390</b>

**NOTE 7 – DUE TO OTHER AGENCY – RELATED PARTY**

The School reported a payable of \$142,861 owed to the Avant Garde Academy of Osceola, another charter school held by the same charter-holder, for expenditures paid by Avant Garde Academy of Osceola on behalf of Avant Garde Academy K8 of Osceola.

**NOTE 8- SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the School’s State revenues

Source	Amount
Florida Education Finance Program	1,322,069
Class size reduction	295,888
Supplementary academic instruction	58,483
Student transportation	59,073
ESE guaranteed allocation	39,697
Instructional material	21,615
Compression allocation	19,420
Reading allocation	11,496
Mental health assistance	6,296
Digital classroom	5,320
Florida teachers classroom supply	5,320
Discretionary lottery	897
Safe school	13,214
	<b>1,858,788</b>

As provided in the charter school contract, the District has charged to the School an administrative fee totaling \$87,154.

**AVANT GARDE ACADEMY, INC.**  
**D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 – LINES OF CREDIT**

The Charter School has an available line of credit with LBA Services, Inc for \$102,300. As of June 30, 2019, the total balance outstanding was \$100,000. This line of credit is subjected to renewal annually on July 1<sup>st</sup> and is interest free. Effective at the time of renewal, the lines of credit were approved up to a maximum of \$102,300

**NOTE 10 – RISK MANAGEMENT**

The Charter School is exposed to various risks of loss related to torts, thefts of damage to and destruction of assets, errors and omissions and natural disasters for which the charter school carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past three (3) years. In addition, there were no reductions in insurance coverage from those in the prior year.

*Pending Litigation*

The Charter School is currently in litigation with Osceola Development, LLC. and is presently litigated by the Charter School's Attorney. In the opinion of management and based on the advice of the Charter School's Attorney, this matter is still in the initial stages of litigation and no mediation has been scheduled as of September 19, 2019. The outcome of this litigation is undeterminable therefore does not have a material effect on the financial position and results of operations of the Charter School.

**NOTE 11 – GOING CONCERN**

The financial statements have been prepared on a going concern basis which assumes the Charter School will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Charter School had losses of \$528,989 in the current year. The Charter School has a negative net position of \$709,281 as of as of June 30,2019.

Management believes these conditions raise substantial doubt about the Charter School's ability to continue as a going concern within the next twelve months from the date these financial statements are available to be issued. The ability to continue as a going concern is dependent upon profitable future operations, positive cash flows, and additional financing.

Management intends to finance operating costs over the next twelve months with existing cash on hand and loans from other financing sources. Management is also working to secure new bank financing. The Charter School's ability to obtain the new financing is not known at this time.

**SUPPLEMENTARY INFORMATION**

**AVANT GARDE ACADEMY, INC.**  
**D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2019**

**GENERAL FUND BUDGET**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts GAAP Basis</u>	<u>Variances Positive (Negative)</u>
Revenues:				
School Board of Osceola County - FTE	\$ 2,748,831	\$ 1,657,835	\$ 1,858,788	\$ 200,953
Operating grants and contributions	81,500	125,448	41,959	(83,489)
Capital grants and contributions	-	61,057	61,057	-
Miscellaneous revenue	108,000	86,173	14,155	(72,018)
Total revenues	<u>2,938,331</u>	<u>1,930,513</u>	<u>1,975,959</u>	<u>45,446</u>
Instruction	1,194,980	941,251	954,783	(13,532)
School Board	33,156	1,363	12,613	(11,250)
General administration	91,056	83,429	87,154	(3,725)
School administration	320,307	269,131	211,836	57,295
Fiscal services	296,699	26,214	25,657	557
Pupil transportation services	148,279	182,432	206,212	(23,780)
Operation of plant	723,184	570,655	955,247	(384,592)
Maintenance of plant	14,989	7,800	8,405	(605)
Total expenditures	<u>2,822,650</u>	<u>2,082,275</u>	<u>2,461,907</u>	<u>(379,632)</u>
Excess (deficit) of revenues over expenditures	<u>\$ 115,681</u>	<u>\$ (151,762)</u>	<u>\$ (485,948)</u>	<u>\$ (334,186)</u>

**SPECIAL REVENUE FUND BUDGET**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts GAAP Basis</u>	<u>Variances Positive (Negative)</u>
Revenues:				
Operating grants and contributions	\$ 80,330	\$ 80,330	\$ 80,525	\$ 195
Total revenues	<u>80,330</u>	<u>80,330</u>	<u>80,525</u>	<u>195</u>
Operation of Plant	80,330	80,330	80,255	75
Total expenditures	<u>80,330</u>	<u>80,330</u>	<u>80,255</u>	<u>75</u>
Excess (deficit) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270</u>	<u>\$ 270</u>

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA  
NOTES TO SUPPLEMENTARY INFORMATION**

**Budgetary Basis Accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.



**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  
Avant Garde Academy, Inc.  
D/B/A Avant Garde Academy K8 of Osceola  
Kissimmee, Florida

We have audited, in accordance with the 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 and each major fund of Avant Garde Academy, Inc. D/B/A Avant Garde Academy K8 of Osceola (the "Charter School"), a component unit of the Osceola County District School Board, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Avant Garde Academy, Inc. D/B/A Avant Garde Academy K8 of Osceola's basic financial statements, and have issued our report thereon dated September 20, 2019.

Internal Control over Financial Reporting

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

Internal Control over Financial Reporting (Continued)

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

Purpose of this Report

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

This report is intended solely for the information and use of the Board of Directors, management, the Osceola County District School Board and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Gardner & Associates, PA*

Miami, Florida  
September 20, 2019



**MANAGEMENT LETTER  
IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF  
THE STATE OF FLORIDA**

To the Board of Directors  
Avant Garde Academy, Inc.  
D/B/A Avant Garde Academy K8 of Osceola  
Kissimmee, Florida

**Report on the Financial Statements**

We have audited the financial statements of Avant Garde Academy, Inc. D/B/A Avant Garde Academy K8 of Osceola (“the School”), Florida, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 20, 2019.

**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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; 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 those reports which are dated September 20, 2019, 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 corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were findings and recommendations made in the preceding annual financial audit report.

## **Management Letter - Continued**

### **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 the school code assigned by the Florida Department of Education of the entity are of Avant Garde Academy, Inc. D/B/A Avant Garde Academy K8 of Osceola and 0161.

### **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 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 meet one of the conditions described in Section 218.503(1), Florida Statutes, as shown in Finding No. 2018-04.

Pursuant to Section 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. At June 30, 2019 the School met the definition of deteriorating financial conditions as shown in Finding No. 2018-05.

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 have made some 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 website 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.

**Management Letter – Continued**

**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, School Board of Directors, School's management, and the School Board of Osceola County and is not intended to be and should not be used by anyone other than these specified parties.

*Gardner & Associates, PA*

Miami, Florida  
September 20, 2019

**AVANT GARDE ACADEMY, INC.**  
**D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA**  
**PRIOR YEAR FINDINGS AND MANAGEMENT’S RESPONSE**  
**JUNE 30, 2018**

**Findings**

**2018-01**

**Financial Reporting** - The School is responsible for accurate financial reporting which includes detecting and preventing material misstatements in the financial statements, as well as within the underlying records. Our audit revealed several misstatements related to the following: (1) the recording of revenues and (2) the recording of payables which resulted in the necessity of audit adjustments required to be recorded in order to present the financial statements in conformity with generally accepted accounting principles. We recommend the School improve their financial accounting process to ensure the fair presentation of reported and recorded financial information.

**View of Responsible Management and Planned Corrective Actions** – Effective July 1, 2019 the Charter School’s Board hired a new management company, National Academic Educational Partners to manage the charter school. The firm’s CPA has over 15 years’ experience in managing various financial aspects of charter schools. The CPA will create accurate budgets for the Boards review and approval, present monthly financial budget to actual statements at the regularly held board meetings. The CPA along with the Boards oversight will constantly review and manage the school’s budget to be in compliance with the School District and to follow its financial plan.

**2018-02**

**Disbursements** – The School made four payments to The School Store, Inc. totaling \$21,340 relating to academic consulting, attorney fees, marketing, and management fees during the 2017-18 fiscal year. We were provided invoices for three transactions and the fourth transaction was documented by an email requesting payment. These types of services generally call for a contract to set forth the specific duties and outcomes to be provided by the vendor. We requested a copy of contracts for these services; however, none were provided. Without proper documentation, we were unable to determine the appropriateness of these disbursements. We recommend the School obtain all invoices and contracts to properly document these disbursements.

**View of Responsible Management and Planned Corrective Actions** - Effectively July 1, 2019 the new management company ensures that all invoices and contracts are properly documented, and all disbursements are correctly recorded.

The School is no longer conducting business with either iSchools or The School Store.

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA**

**PRIOR YEAR FINDINGS AND MANAGEMENT'S RESPONSE  
JUNE 30, 2018**

**2018-03**

Budget Over expenditures – Florida Statutes Section 1002.33(9)4.(h) requires the School to adopt and maintain an operating budget. The School adopted an annual budget and amended it during the year. However, as shown in the Budgetary Comparison Schedule on page 24, expenditures exceeded final budgeted amounts in 5 functions by \$427,504 in total. We recommend the Board adjust the School's budget in a timely manner in order to prevent expenditures exceeding the final approved budget.

**View of Responsible Management and Planned Corrective Actions** - Effective July 1, 2019 the Charter School's Board hired a new management company National Academic Educational Partners, to manage the charter school. The CPA will create accurate budgets for the Boards review and approval, present monthly financial budget to actual statements at the regularly held board meetings. The CPA along with the Boards oversight will constantly review and manage the school's budget to be in compliance with the School District and to follow its financial plan.

**2018-04**

**Financial Emergency** - The Rules of the Auditor General (Section 10.854(1)(e)2.), require that we make a statement 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 conditions met. In connection with our audit, we determined that the School met one of the conditions described in Section 218.503(1), Florida Statutes. The School failed to pay uncontested claims from several vendors totaling approximately \$23,000, as recorded in the Schools accounting records, within 90 days as of June 30, 2018. These events resulted from a lack of available funds. We recommend the School make appropriate financial arrangements with the unpaid vendors in order to make good on all past due amounts owed.

**View of Responsible Management and Planned Corrective Actions** - Effectively July 1, 2019 the new management company ensured that all payments are timely made on all its payment arrangements. As of June 30, 2019, only two payment arrangements with vendors remain, both of which will be paid in full in November 2019 and December 2019.

**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA**

**CURRENT YEAR FINDINGS AND MANAGEMENT’S RESPONSE  
JUNE 30, 2018**

**2019-01**

**Deteriorating Financial Condition**

Criteria: As defined in Section 218.39(5)(b) indicators of a deteriorating financial condition are a fund balance deficit in total or for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net assets deficit and for which sufficient resources are not available to cover the deficit.

Condition: At June 30, 2019 the School had a net position deficit of (\$738,433). Current liabilities exceed current assets. Current assets should equal or exceed current liabilities.

	<u>As of 6/30/2019</u>	<u>As of 6/30/2018</u>	<u>(Decrease)/ Increase from 6/30/2018 to 6/30/2019</u>
Asset	169,421	540,271	(370,850)
Liabilities	907,854	749,715	158,139
Unrestricted Net Position	(738,433)	(209,444)	(528,989)
Change in Net Position	(528,989)	(437,500)	(91,489)

Cause: The School is in its third year of operations and expended resources for the initial startup cost and purchases of capital assets for which it did incur some related debt.

Potential effect: Potentially the School could lack the resources to meet its obligations.

Recommendation: The School should monitor its enrollment and budget versus expenditures to ensure spending is within the budget.

View of Responsible Management and Planned Corrective Actions - – Effective July 1, 2019 the Charter School’s Board hired a new management company National Academic Educational Partners, to manage the charter school. The firm’s CPA has over 15 years’ experience in managing various financial aspects of charter schools. The School new management has taken action to rectify the financial condition of the School. Expenses are being carefully tracked to conform to the approved budget. A year-round enrollment plan is in place to continue to increase the number of students and revenues in time for the October and February student count.



**AVANT GARDE ACADEMY, INC.  
D/B/A AVANT GARDE ACADEMY K8 OF OSCEOLA**

**CURRENT YEAR FINDINGS AND MANAGEMENT'S RESPONSE  
JUNE 30, 2018**

**2019-02**

**Financial Audit** – A financial audit report dated February 14, 2019 conducted by RSM US LLP regarding the financial status of the Charter School was performed. The results of this audit report indicated the following conditions;

1. Observation #1 – Late/Incomplete lease
2. Late/Incomplete Factoring Payments
3. Late/Incomplete Invoice Payments
4. Low/deficit Fund Balance
5. Negative Net Cash Position
6. Increasing Accounts Payable Balances
7. Intercompany due to/from account
8. Waiver of Management
9. Issuance of New Debt
10. Non-Compliance with District Agreements
11. Related parties and Conflict of Interest
12. Lack of Internal Control over Check Payments

During our audit, we noted that although these conditions were noted in February 2019, the Charter School's financial condition has not changed by the end of the school year June 30, 2019.

- a. Late/Incomplete lease payments continued throughout our audit period.
- b. The Charter School has a negative net position, fund balance, and cash position.
- c. The status of the non-compliance with district agreements still exist because the intercompany receivable have not been paid off and terms for repayment have not been negotiated.
- d. There is possibly a conflict of interest because it appears that LBS operates as management and lends to the charter school interest free.
- e. Instances of material weakness in internal controls still exist.

**Recommendation:** We recommend the School continue to improve their financial accounting process to ensure the fair presentation of reported and recorded financial information.

**View of Responsible Management and Planned Corrective Actions** - – Effective July 1, 2019 the Charter School's Board hired a new management company National Academic Educational Partners, to manage the charter school. The firm's CPA has over 15 years' experience in managing various financial aspects of charter schools. The School new management has taken action to rectify the financial condition of the School. Expenses are being carefully tracked to conform to the approved budget. A year-round enrollment plan is in place to continue to increase the number of students and revenues in time for the October and February student count.