

**LANGUAGE & LITERACY
ACADEMY FOR LEARNING, INC.**

**Basic Financial Statements and
Supplemental Information**

June 30, 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Language & Literacy Academy for Learning, Inc. (the "School"), as of and for the year ended June 30, 2020, 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 the 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 the *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 aggregate remaining fund information of the School as of June 30, 2020, 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 management's discussion and analysis and the budgetary comparison schedules information on pages 3-7 and 31-35 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 October 16, 2020, 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
October 16, 2020

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, 2020. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- The School's overall net position decreased by \$506,559.
- Total ending unrestricted net position was a deficit of \$822,196.
- The School had total expenses for the year of \$4,031,394, compared to revenues of \$3,524,835.
- The year ended June 30, 2020 was the School's second year of instruction during which the School educated 194 students, serving grades K-12, compared to 192 students for the prior year.
- During the current fiscal year, the School secured a \$574,500 loan under the Paycheck Protection Program ("PPP") established by the Coronavirus Aid Relief, and Economic Security Act ("CARES Act").

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 \$670,574 at June 30, 2020, compared to \$164,015 at June 30, 2019.

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		
	2020	2019	Change
Assets			
Current assets	\$ 369,419	\$ 292,498	\$ 76,921
Capital assets, net of accumulated depreciation	151,622	69,181	82,441
Total assets	521,041	361,679	159,362
Deferred outflows			
Related to changes in net position	794,967	-	794,967
Liabilities			
Current liabilities	57,595	97,494	(39,899)
Non-current liabilities	1,140,500	428,200	712,300
Net pension liability	740,461	-	740,461
Total liabilities	1,938,556	525,694	1,412,862
Deferred inflows			
Related to changes in net position	48,026	-	48,026
Net position (deficit)			
Investment in capital assets	151,622	69,181	82,441
Unrestricted (deficit)	(822,196)	(233,196)	(589,000)
Total net position (deficit)	\$ (670,574)	\$ (164,015)	\$ (506,559)

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

	Governmental Activities		
	2020	2019	Change
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 94,759	\$ 89,918	\$ 4,841
Capital grants and contributions	517,217	-	517,217
General revenues:			
Florida Education Finance Program	2,872,220	2,793,796	78,424
Student lunches	3,403	3,535	(132)
Before and after care	6,149	3,690	2,459
Donations	10,264	11,185	(921)
Fundraisers	320	61,033	(60,713)
Other local revenue	20,503	56,593	(36,090)
Total revenue	<u>3,524,835</u>	<u>3,019,750</u>	<u>505,085</u>
Program expenses:			
Instruction	-	33,348	(33,348)
Exceptional instruction	2,324,858	2,500,060	(175,202)
Instructional support	18,054	12,885	5,169
Board expenses	10,345	2,035	8,310
General administration	62,261	60,922	1,339
General support	762,599	72,155	690,444
Facility and acquisition	120,000	147,632	(27,632)
Fiscal services	17,677	11,121	6,556
Food services	98,161	92,747	5,414
Central services	3,525	5,656	(2,131)
Transportation	403,436	37,266	366,170
Operation of plant	107,546	145,080	(37,534)
Maintenance of plant	38,270	24,528	13,742
Administrative tech	2,860	6,103	(3,243)
Interest on long-term debt	61,802	23,744	38,058
Total expenses	<u>4,031,394</u>	<u>3,175,282</u>	<u>856,112</u>
Change in net position (deficit)	<u>(506,559)</u>	<u>(155,532)</u>	<u>(351,027)</u>
Net position (deficit) - beginning	<u>(164,015)</u>	<u>(8,483)</u>	<u>(155,532)</u>
Net position (deficit) - ending	<u><u>\$ (670,574)</u></u>	<u><u>\$ (164,015)</u></u>	<u><u>\$ (506,559)</u></u>

As it was the School's second year of instruction, there was an increase in overall revenues due to the School receiving IDEA funds and the CSP grant funds during the 2019-2020 school year. Expenses related to advertising and support salaries increased due to the second year of operations, which caused the increase in general support. Also, the School took over the busing services in the current year which caused the increase in transportation expense.

Governmental Activities. The governmental activities generated \$611,976 in program revenues and \$2,929,859 of general revenues, and incurred \$4,031,394 of program expenses. This resulted in a \$506,559 decrease in net position.

The School's Individual Funds

General Fund. The fund balance of the General Fund increased by \$116,820 from \$195,004 to \$311,824.

Debt Service Fund. The fund balance of the Debt Service Fund remained the same at \$0 after transfers to the General Fund of \$650,498 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 \$611,976 which means that all special revenue funds were spent during the year.

Budgetary Highlights

General Fund. Actual revenues were less than originally budgeted by \$399,280 due to the CSP Grant and IDEA funds being budgeted as General Fund revenues and not Special Revenue Fund revenues. Actual expenditures were more than originally budgeted expenditures by \$369,081 due to the School having additional administrative and exceptional instruction staff and increases in transportation expenditures. 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 2020 general fund budget to the actual 2020 general fund year-end financials. Thus, the final approved general fund budget is equal to the general fund statements of revenues, expenditures, and changes in fund balances. The budgetary information can be found on pages 31 through 35 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, 2020, amounts to \$151,622 (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 second year of instruction, the School received new debt proceeds in relation to PPP funds during the year. 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 2020, the State of Florida increased its Florida Education Finance Program base funding safe schools, and mental health initiative allocations. The capital outlay funding pool increased to \$158 million. A 2% merit increase was also paid out to eligible staff.

For fiscal year 2020, the budgets reflect the Florida Education Finance Program funding increase to fund teacher salary increases. A 2% merit increase for all staff was budgeted. All other expenditures are budgeted in alignment with enrollment changes and the School's strategic objectives.

The School is aware that the COVID-19 outbreak is expected to have an effect on the School's financial position and results of operations. See the subsequent event footnote for further information.

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, 2020

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash	\$ 369,419
Total current assets	369,419
Capital assets, net	151,622
Total assets	521,041
DEFERRED OUTFLOWS	
Related to changes in the net pension	794,967
LIABILITIES AND NET POSITION (DEFICIT)	
CURRENT LIABILITIES	
Accrued payroll	22,474
Accounts payable	35,121
Total current liabilities	57,595
NONCURRENT LIABILITIES	
Long-term debt	
Due within one year - long term debt	786,629
Due within more than one year - long term debt	353,871
Net pension liability	740,461
Total liabilities	1,938,556
DEFERRED INFLOWS	
Related to changes in the net pension	48,026
NET POSITION (DEFICIT)	
Investment in capital assets	151,622
Unrestricted	(822,196)
Total net position (deficit)	\$ (670,574)

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

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Exceptional instruction	\$ 2,324,858	\$ -	\$ -	\$ 517,217	\$ (1,807,641)
Instructional support	18,054	-	-	-	(18,054)
Board expenses	10,345	-	-	-	(10,345)
General administration	62,261	-	-	-	(62,261)
General support	762,599	-	-	-	(762,599)
Facility and acquisition	120,000	-	-	-	(120,000)
Fiscal services	17,677	-	-	-	(17,677)
Food services	98,161	-	94,759	-	(3,402)
Central services	3,525	-	-	-	(3,525)
Transportation	403,436	-	-	-	(403,436)
Operation of plant	107,546	-	-	-	(107,546)
Maintenance of plant	38,270	-	-	-	(38,270)
Administrative tech	2,860	-	-	-	(2,860)
Interest on long-term debt	61,802	-	-	-	(61,802)
Total governmental activities	<u>\$ 4,031,394</u>	<u>\$ -</u>	<u>\$ 94,759</u>	<u>\$ 517,217</u>	<u>(3,419,418)</u>
General revenues:					
					2,872,220
					40,639
					<u>2,912,859</u>
					(506,559)
					<u>(164,015)</u>
					<u>\$ (670,574)</u>

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

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
ASSETS				
Cash	\$ 369,419	\$ -	\$ -	\$ 369,419
Total assets	<u>\$ 369,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369,419</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accrued payroll	\$ 22,474	\$ -	\$ -	\$ 22,474
Accounts payable	35,121	-	-	35,121
Total liabilities	<u>57,595</u>	<u>-</u>	<u>-</u>	<u>57,595</u>
FUND BALANCES				
Unassigned	<u>311,824</u>	<u>-</u>	<u>-</u>	<u>311,824</u>
Total fund balances	<u>311,824</u>	<u>-</u>	<u>-</u>	<u>311,824</u>
Total liabilities and fund balances	<u>\$ 369,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369,419</u>

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, 2020

Fund balances - total governmental funds		\$ 311,824
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 \$6,659 of accumulated depreciation	\$ 15,289	
Leasehold improvements, net of \$28,729 of accumulated depreciation	130,932	
Computer hardware and technology, net of \$3,227 of accumulated depreciation	<u>5,401</u>	
Total capital assets		151,622
Long-term debt are not due and payable in the current period and, therefore, not reported in the funds		(1,140,500)
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		<u>6,480</u>
Total net position (deficit) of governmental activities		<u><u>\$ (670,574)</u></u>

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, 2020

	General Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
Revenues				
Federal passed through state				
National School Lunch Program	\$ -	\$ -	\$ 94,759	\$ 94,759
Grants	-	-	517,217	517,217
State passed through local school district				
Florida Education Finance Program	2,872,220	-	-	2,872,220
Local revenue				
Student lunches	3,403	-	-	3,403
Before and after care	6,149	-	-	6,149
Donations	10,264	-	-	10,264
Fundraisers	320	-	-	320
Other local revenues	20,503	-	-	20,503
Total revenues	<u>2,912,859</u>	<u>-</u>	<u>611,976</u>	<u>3,524,835</u>
Expenditures				
Current:				
Exceptional instruction	2,331,338	-	-	2,331,338
Instructional support	18,054	-	-	18,054
Board expenses	10,345	-	-	10,345
General administration	62,261	-	-	62,261
General support	733,018	-	-	733,018
Facility and acquisition	232,022	-	-	232,022
Fiscal services	17,677	-	-	17,677
Food services	98,161	-	-	98,161
Central services	3,525	-	-	3,525
Transportation	403,436	-	-	403,436
Operation of plant	107,546	-	-	107,546
Maintenance of plant	38,270	-	-	38,270
Administrative tech	2,860	-	-	2,860
Debt service:				
Principal	-	1,380,200	-	1,380,200
Interest	-	61,802	-	61,802
Total expenditures	<u>4,058,513</u>	<u>1,442,002</u>	<u>-</u>	<u>5,500,515</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,145,654)</u>	<u>(1,442,002)</u>	<u>611,976</u>	<u>(1,975,680)</u>
Other financing sources (uses):				
Loan proceeds	-	2,092,500	-	2,092,500
Transfer in	1,262,474	-	-	1,262,474
Transfer out	-	(650,498)	(611,976)	(1,262,474)
Total other financing sources (uses)	<u>1,262,474</u>	<u>1,442,002</u>	<u>(611,976)</u>	<u>2,092,500</u>
Net change in fund balances	116,820	-	-	116,820
Fund balances at July 1, 2019	195,004	-	-	195,004
Fund balances at June 30, 2020	<u>\$ 311,824</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,824</u>

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 (DEFICIT) - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Year Ended June 30, 2020

Net change in fund balances - total government funds	\$	116,820
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The change in net position (deficit) 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	\$ 112,022	
Current year depreciation expense	<u>(29,581)</u>	
Total capital assets		82,441

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		(574,500)
Proceeds from SBA advance		(10,000)
Proceeds from Charter School Capital advance		(1,508,000)
Principal payment on long-term debt		1,380,200

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	\$ (740,461)	
Deferred inflows related to net pension	(48,026)	
Deferred outflows related to net pension	<u>794,967</u>	
		<u>6,480</u>

Change in net position (deficit) of governmental activities	\$	<u><u>(506,559)</u></u>
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The accompanying notes are an integral part of these financial statements.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**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.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020, there were \$119,418 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:

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

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 full-time equivalent (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.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**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.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**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, 2020.

17. New GASB pronouncements

The GASB issued Statement No. 84, Fiduciary Activities, 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 guidance is effective for fiscal 2021.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

17. New GASB pronouncements (continued)

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 these new standards on its financial statements.

NOTE B - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Capital assets depreciated:				
Furniture, fixtures, & equipment	\$ 21,948	\$ -	\$ -	\$ 21,948
Leasehold improvements	47,639	112,022	-	159,661
Computer hardware and technology	8,628	-	-	8,628
Total assets depreciated	<u>78,215</u>	<u>112,022</u>	<u>-</u>	<u>190,237</u>
Less accumulated depreciation:				
Furniture, fixtures, & equipment	2,269	4,390	-	6,659
Leasehold improvements	5,264	23,465	-	28,729
Computer hardware and technology	1,501	1,726	-	3,227
Total accumulated depreciation	<u>9,034</u>	<u>\$ 29,581</u>	<u>\$ -</u>	<u>38,615</u>
Total governmental activities capital assets, net	<u>\$ 69,181</u>			<u>\$ 151,622</u>

As of the year ended June 30, 2020, \$29,581 was charged to general support in the accompanying Statement of Activities.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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:

<u>Source</u>	<u>Amount</u>
School Board of Polk County:	
FEFP	\$ 1,198,191
ESE guarantee allocation	930,574
Supplemental academic instruction	49,871
Digital classroom allocation	582
Safe schools	10,359
Compression allocation	10,545
Discretionary millage	54,101
Discretionary tax equalization allocation	73,220
Instructional materials allocation	15,577
Student transportation	199,072
Discretionary lottery	260
Class size reduction	(2,784)
Reading allocation	11,125
Teacher Lead program	11,046
Best and Brightest	17,050
Class size reduction	293,431
Total passed through the School	
District of Polk County	2,872,220
Federal passed through state	
National School Lunch Program	94,759
CSP Grant	266,295
Idea funds	250,922
Local revenue	
Student lunches	3,403
Before and after care	6,149
Donations	10,264
Fundraisers	320
Other local revenues	20,503
Total general revenues	<u>\$ 3,524,835</u>

The administration fee paid to the District during the year ended June 30, 2020, totaled \$62,261.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE D - LONG-TERM LIABILITIES

The School entered into various loan agreements during the year ended June 30, 2020. The following is a summary of changes:

	<u>Long-term obligations at July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Long-term obligations at June 30, 2020</u>	<u>Due within one year</u>
Charter School Capital	\$ 428,200	\$ 1,508,000	\$ (1,380,200)	\$ 556,000	\$ 556,000
PPP Loan	-	574,500	-	574,500	220,629
SBA Loan	-	10,000	-	10,000	10,000
	<u>\$ 428,200</u>	<u>\$ 2,092,500</u>	<u>\$ (1,380,200)</u>	<u>\$ 1,140,500</u>	<u>\$ 786,629</u>

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, 2020, payments for interest totaled \$61,802, with rates between approximately 2.29% to 5.25%.

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. The proceeds of this loan were used by the School solely for the following transactions as set forth in Section 1102 of the CARES Act: (a) payments of "payroll costs", (b) cost related to the continuation of group healthcare benefits, during period of paid sick, medical or family leave and insurance premium, (c) employee salaries, commissions or similar compensation, (d) payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation), (e) payments on rent (including rent under a lease agreement), (f) utilities, and (g) interest on any other debt obligation that were incurred before the covered period. Management will seek forgiveness of the loan. As of the date of the financials, the forgiveness process is not complete. The unforgiven portion of the loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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. Minimum monthly lease payments include \$10,000 plus utilities and applicable sales and use tax, for the life of the agreement. The lease may be renewed for one additional year at the time of expiration. Lease expense for the year ended June 30, 2020 totaled \$120,000 which is included in facility and acquisition of the accompanying financial statements.

Future minimum lease payments include \$120,000 for the year ended June 30, 2021.

NOTE E - 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, 2020, 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.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE E - EMPLOYEE RETIREMENT SYSTEMS (continued)

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

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 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.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE E - EMPLOYEE RETIREMENT SYSTEMS (continued)

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

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

Contributions

The School participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at June 30, 2020, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Employee Contribution Rate</u>	<u>Employee Contribution Rate</u>
Regular Class	3.00%	8.47%
Senior Management	3.00%	25.41%
DROP Employees	0.00%	14.60%

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, 2020, were as follows:

School Contributions - FRS	\$ 126,119
School Contributions - HIS	\$ 40,581
Employee Contributions - FRS	\$ 70,074

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE E - EMPLOYEE RETIREMENT SYSTEMS (continued)

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

At June 30, 2020, the School Reported a net pension liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	\$ 496,091
HIS	244,370
Total	\$ 740,461

The net pension liability was measured as of June 30, 2019, 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. At June 30, 2020, the School's proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2020
FRS	0.001440509%
HIS	0.002184023%

For the plan year ended June 30, 2019, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 122,133
HIS	38,087
Total	\$ 160,220

Deferred outflows/inflows related to pensions:

At June 30, 2020, 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	\$ 29,425	\$ 308	\$ 2,968	\$ 299
Changes of assumptions	127,418	-	28,296	19,973
Net difference between projected and actual investment earnings	-	27,446	158	-
Change in proportionate share	244,869	-	195,133	-
Contributions subsequent to measurement date	126,119	-	40,581	-
	\$ 527,831	\$ 27,754	\$ 267,136	\$ 20,272

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE E - EMPLOYEE RETIREMENT SYSTEMS (continued)

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

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.

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
2021	\$ 92,161	\$ 36,225
2022	59,469	35,276
2023	79,468	33,555
2024	71,086	29,961
2025	51,984	31,748
Thereafter	19,790	39,519
Total	<u>\$ 373,958</u>	<u>\$206,284</u>

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 2014 for the period July 1, 2008, through June 30, 2013. 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 2.60%. 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 6.90%. This rate decreased from the prior year rate, which was 7.00%. 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 3.87% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.58%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE E - 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%	2.9%
Fixed income	18.0%	4.4%
Global equities	54.0%	7.6%
Real estate	11.0%	6.6%
Private equity	10.0%	10.7%
Strategic investments	6.0%	6.0%
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	6.9%	\$ 857,577	\$ 496,091	\$ 194,190
HIS	3.5%	278,961	244,370	215,560

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE F - SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through October 16, 2020 which is the date the financial statements were available to be issued.

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 situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

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, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State passed through local school district				
Florida Education Finance Program	\$ 2,766,860	\$ 2,872,220	\$ 2,872,220	\$ -
Local revenue				
Student lunches	-	3,403	3,403	-
Before and after care	3,000	6,149	6,149	-
Donations	-	10,264	10,264	-
Fundraisers	-	320	320	-
Other local revenues	542,279	20,503	20,503	-
Total revenues	<u>3,312,139</u>	<u>2,912,859</u>	<u>2,912,859</u>	<u>-</u>
Expenditures				
Current:				
Exceptional instruction	2,194,188	2,331,338	2,331,338	-
Instructional support	16,650	18,054	18,054	-
Board expenses	-	10,345	10,345	-
General administration	-	62,261	62,261	-
General support	693,222	733,018	733,018	-
Facility and acquisition	147,627	232,022	232,022	-
Information services	6,900	-	-	-
Fiscal services	139,593	17,677	17,677	-
Food services	84,000	98,161	98,161	-
Central services	-	3,525	3,525	-
Transportation	189,700	403,436	403,436	-
Operation of plant	149,952	107,546	107,546	-
Maintenance of plant	26,400	38,270	38,270	-
Administrative tech	6,700	2,860	2,860	-
Internal expenses	1,500	-	-	-
Debt service	33,000	-	-	-
Total expenditures	<u>3,689,432</u>	<u>4,058,513</u>	<u>4,058,513</u>	<u>-</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(377,293)</u>	<u>(1,145,654)</u>	<u>(1,145,654)</u>	<u>-</u>
Other financing sources (uses):				
Transfer	-	1,262,474	1,262,474	-
Total other financing sources (uses)	<u>-</u>	<u>1,262,474</u>	<u>1,262,474</u>	<u>-</u>
Net change in fund balance (deficit)	<u>(377,293)</u>	<u>116,820</u>	<u>116,820</u>	<u>-</u>
Fund balance (deficit) at July 1, 2019	<u>195,004</u>	<u>195,004</u>	<u>195,004</u>	<u>-</u>
Fund balance (deficit) at June 30, 2020	<u>\$ (182,289)</u>	<u>\$ 311,824</u>	<u>\$ 311,824</u>	<u>\$ -</u>

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**

	<u>June 30, 2020</u>
<u>Florida Retirement System (FRS)</u>	
Proportion of the net pension liability	0.001440509%
Proportionate share of the net pension liability (asset)	\$ 496,091
Covered-employee payroll	\$ 2,496,403
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	19.87%
Plan fiduciary net position as a percentage of the total pension liability	82.61%
<u>Health Insurance Subsidy Program (HIS)</u>	
Proportion of the net pension liability	0.002184023%
Proportionate share of the net pension liability (asset)	\$ 244,370
Covered-employee payroll	\$ 2,496,403
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.79%
Plan fiduciary net position as a percentage of the total pension liability	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**

	<u>June 30, 2020</u>
<u>Florida Retirement System (FRS)</u>	
Contractually required contribution	\$ 126,119
Contributions in relation to the contractually required contribution	(126,119)
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 2,496,403
Contributions as a percentage of covered-employee payroll	5.05%
<u>Health Insurance Subsidy (HIS)</u>	
Contractually required contribution	\$ 40,581
Contributions in relation to the contractually required contribution	(40,581)
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 2,496,403
Contributions as a percentage of covered-employee payroll	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.

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2020

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 2020:

- The inflation rate assumption remained at 2.6 percent.
- Payroll growth, including inflation, remained at 3.25 percent.
- The long-term expected rate of return decreased from 7.0 percent to 6.9 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

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2020

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 2020:

- The inflation rate assumption remained at 2.6 percent.
- Payroll growth, including inflation, remained at 3.25 percent.
- The long-term expected rate of return decreased from 7.0 percent to 6.9 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



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Bob P. Marchewka
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Ernie R. Janvrin
Richard F. Hayes
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**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 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 aggregate remaining fund information of Language & Literacy Academy for Learning, Inc. (the "School") as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 16, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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.

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Florida Institute of
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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
October 16, 2020



Partners

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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, 2020, and have issued our report thereon dated October 16, 2020.

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 October 16, 2020, 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 the 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
October 16, 2020

MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2020, there were no management finding, recommendations or responses.