

**AMERICAN CLASSICAL
CHARTER ACADEMY, INC.**

A Charter School and Component Unit of the
District School Board of Osceola County, Florida

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2022

King & Walker, CPAs, PL

Certified Public Accountants

THIS PAGE IS INTENTIONALLY BLANK.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

TABLE OF CONTENTS

| | PAGE <u>NO.</u> |
|--|----------------------------|
| FINANCIAL SECTION | |
| Independent Auditor’s Report | 1 |
| Management’s Discussion and Analysis – (Unaudited) | 4 |
| Basic Financial Statements | |
| <i>Government-Wide Financial Statements:</i> | |
| Statement of Net Position | 9 |
| Statement of Activities | 10 |
| <i>Fund Financial Statements:</i> | |
| Balance Sheet – Governmental Funds | 11 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 12 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 13 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 14 |
| Notes to Financial Statements | 15 |
| COMPLIANCE AND INTERNAL CONTROL | |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> | 26 |
| Management Letter as required by Rules of the Florida Auditor General, Chapter 10.850, Florida Statutes, <i>Charter School Audits</i> | 28 |
| Summary of Findings and Recommendations | 30 |
| Management’s Response to Findings and Recommendations | 31 |



Members:
Florida Institute of CPAs
American Institute of CPAs
Government Audit Quality Center

2803 W. Busch Blvd Ste 106
Tampa, FL 33618
office (813) 892-4274 fax (813) 932-1913
www.KingandWalker.com

Independent Auditor's Report

To the Board of Directors of American Classical Charter Academy, Inc.
a Charter School and Component Unit of the District
School Board of Osceola County, Florida

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the American Classical Charter Academy, Inc. ("School"), a charter school and component unit of the District School Board of Osceola County, Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

We do not express an opinion on the accompanying financial statements of the School. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis of opinion on these financial statements.

Basis for Disclaimer of Opinion

Management refused to provide written representations that it has fulfilled its responsibility for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The written representations should also state that all transactions have been recorded and are reflected in the financial statements. As a result, sufficient and appropriate audit evidence was not obtained.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained was not sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Going Concern

As disclosed in Note 12 of the financial statements, the District School Board of Osceola County terminated the charter contract with the American Classical Charter Academy, Inc, effective July 29, 2022. Accordingly, the accompanying financial statements have been prepared assuming that the School will not continue as a going concern.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis, the Budgetary Comparison Schedule, and Note to Required Supplementary Information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Management has omitted the Budgetary Comparison Schedule that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

We have applied certain limited procedures to the Management’s Discussion and Analysis 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 September 19, 2022, 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.



September 19, 2022
Tampa, Florida

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of American Classical Charter Academy, Inc. ("School") provides an overview of the School's financial activities for the fiscal year ended June 30, 2022.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found in the table of contents.

TERMINATION OF CHARTER AGREEMENT

On April 5, 2022, the District School Board of Osceola County approved the termination of the charter contract with American Classical Charter Academy, Inc. The School appealed the termination. The appeal was denied and the charter contract is terminated effective July 29, 2022.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2022, the School's expenses exceeded revenues as shown on the School's statement of activities by \$683,290.
- As shown on the statement of net position, the School reported a deficit total net position balance of \$1,301,071.
- As shown on the balance sheet – governmental funds, the School reported a total combined deficit fund balance of \$448,336.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets and the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

Fund Financial Statements

Fund financial statements are one of the components of the basic 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates three funds; a General Fund, a Special Revenue Fund, and a Capital Projects. For reporting purposes, the General Fund is a major fund of the School. Data from the other governmental funds are combined into a single aggregate presentation.

The School is required to adopt an annual budget for its governmental funds. A budgetary comparison schedule is a required part of the financial statements however a budget was not approved by the Board and therefore is not presented.

Notes to Financial Statements

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

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida
MANAGEMENT’S DISCUSSION AND ANALYSIS - (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the School’s current and prior year net position:

| | Net Position, End of Year | | |
|----------------------------------|----------------------------------|-----------------------|--------------------------------|
| | <u>Governmental Activities</u> | | <u>Increase (Decrease)</u> |
| | <u>6-30-21</u> | <u>6-30-22</u> | |
| ASSETS | | | |
| Current and Other Assets | \$ 565,634 | \$ 169,254 | \$ (396,380) |
| Capital Assets, Net | <u>116,195</u> | <u>105,096</u> | <u>(11,099)</u> |
| Total Assets | <u>681,829</u> | <u>274,350</u> | <u>(407,479)</u> |
| LIABILITIES | | | |
| Current Liabilities | 321,138 | 1,339,416 | 1,018,278 |
| Noncurrent Liabilities | <u>978,472</u> | <u>236,005</u> | <u>(742,467)</u> |
| Total Liabilities | <u>1,299,610</u> | <u>1,575,421</u> | <u>275,811</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 116,195 | 105,096 | (11,099) |
| Unrestricted | <u>(733,976)</u> | <u>(1,406,167)</u> | <u>(672,191)</u> |
| Total Net Position | <u>\$ (617,781)</u> | <u>\$ (1,301,071)</u> | <u>\$ (683,290)</u> |

The current assets of the School consist of cash & cash equivalents, due from other agencies and prepaid items & deposits. Liabilities consist of accounts payable, accrued salaries and benefits payable, and long-term notes payable. The School reported a total deficit net position balance of \$1,301,071.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The following is a summary of the School's change in net position for the current and prior year:

| | Operating Results for the Year | | |
|--|--------------------------------|---------------------|---------------------|
| | Governmental Activities | | Increase |
| | 6-30-21 | 6-30-22 | (Decrease) |
| Revenues: | | | |
| Federal Through State and Local | \$ 307,337 | \$ 95,992 | \$ (211,345) |
| State | 1,877,860 | 2,726,867 | 849,007 |
| Local and Other | 485,669 | 93,642 | (392,027) |
| Special Item - Forgiveness of Debt | 128,300 | - | (128,300) |
| Total Revenues | <u>2,799,166</u> | <u>2,916,501</u> | <u>117,335</u> |
| Expenses: | | | |
| Instruction | 1,238,372 | 1,769,660 | 531,288 |
| Student Support Services | 5,716 | 46,125 | 40,409 |
| Instructional Staff Training | 3,000 | 3,200 | 200 |
| Instructional Related Technology | 27,766 | 16,552 | (11,214) |
| Board | 353,280 | 267,496 | (85,784) |
| School Administration | 458,792 | 260,487 | (198,305) |
| Fiscal Services | - | 33,333 | 33,333 |
| Food Services | 7,644 | 12,872 | 5,228 |
| Operation of Plant | 1,127,344 | 1,104,533 | (22,811) |
| Maintenance of Plant | 10,404 | 15,245 | 4,841 |
| Community Service | 11,098 | 10,802 | (296) |
| Debt Service - Interest | - | 37,859 | 37,859 |
| Unallocated Depreciation | 16,642 | 21,627 | 4,985 |
| Total Expenses | <u>3,260,058</u> | <u>3,599,791</u> | <u>339,733</u> |
| Increase/(Decrease) in Net Position | <u>\$ (460,892)</u> | <u>\$ (683,290)</u> | <u>\$ (222,398)</u> |

The largest continuous revenue source for the School is the State of Florida (93%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and Charter School Capital Outlay funds. Both sources utilize student enrollment data to determine the funds available for the School.

The largest concentration of expenses was for Instruction-related functions and Operation of Plant, which each represents 51% and 31%, respectively, of total expenditures. Instruction expenses increased from the prior year due to an increase in teacher salaries and benefits and an increase in instructional material and equipment purchases.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a total combined deficit fund balance of \$448,336.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$105,096 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements and furniture, fixtures, and equipment. Additional information regarding the School's capital assets can be found in the notes to the financial statements.

DEBT ADMINISTRATION

In the 2019-20 fiscal year, the School received a loan of \$155,000 from Charter One, LLC (the School's former management company) to cover operating costs during the fiscal year. The School entered into an additional promissory note payable for \$81,005 in that year. The remaining balance on these notes payable as of June 30, 2022, is \$236,005.

In the 2020-21 fiscal year, the School entered into an additional promissory note payable for \$742,467 for expenses incurred during the fiscal year, from Charter One, LLC. On December 14, 2021, the School was provided written notice from Charter One, LLC that in accordance with the Promissory Note and Forbearance Agreement, the School was in default and the balance of all remaining principal and accrued interest owed was due and payable within 30 days. The remaining balance on this note payable is \$721,826. Additional information regarding the School's long-term debt is located in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Principal, American Classical Charter Academy, Inc. 2395 Hickory Tree Rd, St. Cloud, FL 34772.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY, FLORIDA

STATEMENT OF NET POSITION
June 30, 2022

| | <u>Government Activities</u> |
|---|----------------------------------|
| ASSETS | |
| Cash & Cash Equivalents | \$ 128,269 |
| Due From Other Agencies | 18,421 |
| Prepaid Items & Deposits | 22,564 |
| Capital Assets: | |
| Leasehold Improvements, Net | 58,744 |
| Furniture, Fixtures, and Equipment, Net | 46,352 |
| Total Capital Assets | <u>105,096</u> |
| TOTAL ASSETS | <u><u>274,350</u></u> |
| LIABILITIES | |
| Salaries and Benefits Payable | 134,488 |
| Accounts Payable | 483,102 |
| Notes Payable | 721,826 |
| Noncurrent Liabilities: | |
| Due After One Year: | |
| Notes Payable | <u>236,005</u> |
| TOTAL LIABILITIES | <u><u>1,575,421</u></u> |
| NET POSITION | |
| Net Investment in Capital Assets | 105,096 |
| Unrestricted | <u>(1,406,167)</u> |
| TOTAL NET POSITION | <u><u>\$ (1,301,071)</u></u> |

The accompanying notes to the financial statements are an integral part of this statement.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

| | | Program Revenues | | | | Net (Expenses) Revenue and Changes Net Position |
|---|---------------------|----------------------------|--|--|----------------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | |
| Governmental Activities: | | | | | | |
| Instruction | \$ 1,769,660 | \$ - | \$ 40,778 | \$ - | | \$ (1,728,882) |
| Student Support Services | 46,125 | - | - | - | | (46,125) |
| Instructional Staff Training | 3,200 | - | - | - | | (3,200) |
| Instructional Related Technology | 16,552 | - | - | - | | (16,552) |
| Board | 267,496 | - | - | - | | (267,496) |
| School Administration | 260,487 | - | - | - | | (260,487) |
| Fiscal Services | 33,333 | - | - | - | | (33,333) |
| Food Services | 12,872 | - | - | - | | (12,872) |
| Operation of Plant | 1,104,533 | - | 66 | 189,046 | | (915,421) |
| Maintenance of Plant | 15,245 | - | - | - | | (15,245) |
| Community Service | 10,802 | 3,385 | - | - | | (7,417) |
| Debt Service - Interest | 37,859 | - | - | - | | (37,859) |
| Unallocated Depreciation | 21,627 | - | - | - | | (21,627) |
| Total Governmental Activities | \$ 3,599,791 | \$ 3,385 | \$ 40,844 | \$ 189,046 | | (3,366,516) |
| General Revenue | | | | | | |
| State Sources | | | | | | 2,537,821 |
| Grants and Contributions not restricted to specific program | | | | | | 55,148 |
| Local and Other | | | | | | 90,257 |
| Total General Revenues | | | | | | 2,683,226 |
| Change in Net Position | | | | | | (683,290) |
| Net Position - July 1, 2021 | | | | | | (617,781) |
| Net Position - June 30, 2022 | | | | | | \$ (1,301,071) |

The accompanying notes to the financial statements are an integral part of this statement.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-------------------------------------|-------------------------|---|---|
| ASSETS | | | |
| Cash & Cash Equivalents | \$ 128,269 | \$ - | \$ 128,269 |
| Due From Other Agencies | - | 18,421 | 18,421 |
| Prepaid Items & Deposits | 22,564 | - | 22,564 |
| Due from Other Funds | 18,421 | - | 18,421 |
| Total Assets | <u>\$ 169,254</u> | <u>\$ 18,421</u> | <u>\$ 187,675</u> |
| LIABILITIES | | | |
| Salaries and Benefits Payable | \$ 134,488 | \$ - | \$ 134,488 |
| Accounts Payable | 483,102 | - | 483,102 |
| Due to Other Funds | - | 18,421 | 18,421 |
| Total Liabilities | <u>617,590</u> | <u>18,421</u> | <u>636,011</u> |
| FUND BALANCES | | | |
| Nonspendable | 22,564 | - | 22,564 |
| Unassigned | (470,900) | - | (470,900) |
| Total Fund Balances | <u>(448,336)</u> | <u>-</u> | <u>(448,336)</u> |
| Total Liabilities and Fund Balances | <u>\$ 169,254</u> | <u>\$ 18,421</u> | <u>\$ 187,675</u> |

The accompanying notes to the financial statements are an integral part of this statement.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2022

| | | |
|---|---------------|------------------------------|
| Total Fund Balances - Governmental Funds | | \$ (448,336) |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. | | 105,096 |
| Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds. | | |
| | Notes Payable | <u>(957,831)</u> |
| | | <u>(957,831)</u> |
| Total Net Position - Governmental Activities | | <u><u>\$ (1,301,071)</u></u> |

The accompanying notes to financial statements are an integral part of this statement.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY, FLORIDA

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

For the Fiscal Year Ended June 30, 2022

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|----------------------------------|-------------------------|---|---|
| Revenues | | | |
| Intergovernmental: | | | |
| Federal Through State and Local | \$ 55,148 | \$ 40,844 | \$ 95,992 |
| State | 2,537,821 | 189,046 | 2,726,867 |
| Local and Other | 93,642 | - | 93,642 |
| Total Revenues | 2,686,611 | 229,890 | 2,916,501 |
| Expenditures | | | |
| Current - Education: | | | |
| Instruction | 1,728,882 | 40,778 | 1,769,660 |
| Student Support Services | 46,125 | - | 46,125 |
| Instructional Staff Training | 3,200 | - | 3,200 |
| Instructional Related Technology | 16,552 | - | 16,552 |
| Board | 267,496 | - | 267,496 |
| School Administration | 260,487 | - | 260,487 |
| Fiscal Services | 33,333 | - | 33,333 |
| Food Services | 12,872 | - | 12,872 |
| Operation of Plant | 915,421 | 189,112 | 1,104,533 |
| Maintenance of Plant | 15,245 | - | 15,245 |
| Community Service | 10,802 | - | 10,802 |
| Fixed Capital Outlay: | | | |
| Other Capital Outlay | 10,528 | - | 10,528 |
| Debt Service: | | | |
| Principal | 20,641 | - | 20,641 |
| Interest | 37,859 | - | 37,859 |
| Total Expenditures | 3,379,443 | 229,890 | 3,609,333 |
| Net Change in Fund Balances | (692,832) | - | (692,832) |
| Fund Balances, July 1, 2021 | 244,496 | - | 244,496 |
| Fund Balances, June 30, 2022 | \$ (448,336) | \$ - | \$ (448,336) |

The accompanying notes to financial statements are an integral part of this statement.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

| | | |
|---|----|-----------|
| Net Change in Fund Balances - Governmental Funds | \$ | (692,832) |
|---|----|-----------|

Amounts reported for governmental activities in the statement of activities 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.

| | | |
|----------------------|----------|----------|
| | 10,528 | |
| Capital Outlays | | |
| Depreciation Expense | (21,627) | (11,099) |

The repayment of principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.

| | |
|--|--------|
| | 20,641 |
|--|--------|

| | | |
|---|----|-----------|
| Change in Net Position - Governmental Activities | \$ | (683,290) |
|---|----|-----------|

The accompanying notes to the financial statements are an integral part of this statement.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTE TO FINANCIAL STATEMENTS

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ Reporting Entity

American Classical Charter Academy, Inc., is 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 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 District School Board of Osceola County, Florida, ("District"). The charter was granted starting for the 2019-20 school year and is effective until June 30, 2025, and is subject to annual review and may be renewed by mutual agreement between the School and the District. As more fully disclosed in Note 12 of the notes to the financial statements, the District approved the termination of the School's charter and contract be effective July 29, 2022. 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 this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units which should be reported within 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 provides 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.

➤ Basis of Presentation

Government-wide Financial Statements - Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTE TO FINANCIAL STATEMENTS

June 30, 2022

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements - Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental fund is as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

Data from the other governmental funds are combined into a single aggregate presentation.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become 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. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTE TO FINANCIAL STATEMENTS

June 30, 2022

➤ Cash and Cash Equivalents

Cash deposits consist primarily of demand deposits held by banks qualified as public depositories under Florida law. Deposits on hand at financial institutions are insured up to \$250,000 by the Federal Deposit Insurance Company and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

➤ Capital Assets

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

| <u>Description</u> | <u>Estimated Lives</u> |
|------------------------------------|------------------------|
| Leasehold Improvements | 10 years |
| Furniture, Fixtures, and Equipment | 5 years |

➤ Noncurrent Liabilities

Long-term debt obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Current-year information relative to changes in long-term debt is described in subsequent notes.

➤ Deferred Outflows/Inflows of Resources

In addition to assets, 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. The School does not have any items that qualify for reporting in this category.

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 then. The School does not have any items that qualify for reporting in this category.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTE TO FINANCIAL STATEMENTS

June 30, 2022

➤ Net Position and Fund Balance Classification

Government-wide Financial Statements

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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 reported within one of the following fund balance categories:

- 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 relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTE TO FINANCIAL STATEMENTS

June 30, 2022

➤ **Order of Fund Balance Spending Policy**

The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **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 Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (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 (FTE) reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2022, the School reported 357.19 unweighted FTE and 389.7590 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTE TO FINANCIAL STATEMENTS

June 30, 2022

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives Federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For Federal or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related note to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net assets and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there is one subsequent event which requires disclosure. On April 5, 2022, the District School Board of Osceola County approved the termination of the charter contract with American Classical Charter Academy, Inc. The School appealed the termination. The appeal was denied and the charter contract is terminated effective July 29, 2022.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTE TO FINANCIAL STATEMENTS

June 30, 2022

2. CASH DEPOSITS

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School’s deposits may not be returned to the School. The School does not have a custodial credit risk policy. All cash deposits are held in banks that qualify as public depositories under Florida law. All such deposits are insured by federal depository insurance and/or collateralized with securities held in Florida’s multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

3. DUE FROM OTHER AGENCIES

Amounts Due from Other Agencies included in the accompanying statement of net position and balance sheet – governmental funds consists of amounts due from the Osceola County District School Board for Capital Outlay funds for expenditures already paid and awaiting reimbursement and are recorded in the Capital Projects Fund. These receivables are considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|--------------------|-------------|-------------------|
| <u>Governmental Activities:</u> | | | | |
| Leasehold Improvements | \$ 71,911 | \$ - | \$ - | \$ 71,911 |
| Furniture, Fixtures, and Equipment | 62,528 | 10,528 | - | 73,056 |
| Total Capital Assets | <u>134,439</u> | <u>10,528</u> | <u>-</u> | <u>144,967</u> |
| Less Accumulated Depreciation for: | | | | |
| Leasehold Improvements | (5,976) | (7,191) | - | (13,167) |
| Furniture, Fixtures, and Equipment | <u>(12,268)</u> | <u>(14,436)</u> | <u>-</u> | <u>(26,704)</u> |
| Total Accumulated Depreciation | <u>(18,244)</u> | <u>(21,627)</u> | <u>-</u> | <u>(39,871)</u> |
| Governmental Activities Capital Assets, net | <u>\$ 116,195</u> | <u>\$ (11,099)</u> | <u>\$ -</u> | <u>\$ 105,096</u> |

All depreciation expense was shown as unallocated on the Statement of Activities.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTE TO FINANCIAL STATEMENTS

June 30, 2022

5. NOTES PAYABLE

As of June 30, 2022, the School’s long-term debt consisted of the following notes payable:

| | Balance at 6-30-22 |
|---|-----------------------|
| Note Payable - Charter One, LLC | |
| <hr/> | |
| \$155,000, promissory note bearing 5.00% interest rate. Interest is accrued and note must be paid in full by August 2023. The note can be prepaid. In the event of default, the interest rate of the note shall increase by 10%. | \$ 155,000 |
| Note Payable - Charter One, LLC | |
| <hr/> | |
| \$81,005, promissory note for management fees incurred in FY20. Interest rate of 5.00%. Interest is accrued and note must be paid in full by August 2023. The note can be prepaid. In the event of default, the interest rate of the note shall increase by 10%. | 81,005 |
| Note Payable - Charter One, LLC | |
| <hr/> | |
| \$742,467, promissory note issued as a result of a settlement agreement between the School and Charter One, bearing interest rate of 8.00%. Interest is accrued and note must be paid in full by July 2025. The note can be prepaid. The School defaulted on the loan and was provided written notice that the balance of all remaining principal and accrued interest owed was due no later than January 13, 2021. | 721,826 |
| Total Notes Payable | <u>\$ 957,831</u> |

Amounts due for the notes payable are as follows:

| Fiscal Year | Total | Principal | Interest |
|-------------------|-------------------|-------------------|-------------|
| Ending June 30 | | | |
| | <hr/> | <hr/> | <hr/> |
| 2022 | \$ 721,826 | \$ 721,826 | \$ - |
| 2023 | - | - | - |
| 2024 | 236,005 | 236,005 | - |
| Total | <u>\$ 957,831</u> | <u>\$ 957,831</u> | <u>\$ -</u> |

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTE TO FINANCIAL STATEMENTS

June 30, 2022

6. DEFAULT ON LONG-TERM DEBT

On December 14, 2021, the School was provided written notice from Charter One, LLC (the School's former management company) that in accordance with the Promissory Note and Forbearance Agreement, the School was in default and the balance of all remaining principal and accrued interest owed was due and payable within 30 days. As of June 30, 2022, a balance of \$721,826 was remaining and is reported as current portion of long-term debt on the Statement of Net Position.

7. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

| | Beginning Balance | Additions | Deductions | Ending Balance | Due in One Year |
|---------------------------------|----------------------|-------------|--------------------|-------------------|--------------------|
| GOVERNMENTAL ACTIVITIES: | | | | | |
| Notes Payable | \$ 978,472 | \$ - | \$ (20,641) | \$ 957,831 | \$ 721,826 |
| Total Governmental Activities | <u>\$ 978,472</u> | <u>\$ -</u> | <u>\$ (20,641)</u> | <u>\$ 957,831</u> | <u>\$ 721,826</u> |

8. INTERFUND RECEIVABLES & PAYABLES

At June 30, 2022, the School's Capital Projects Fund owed to the General Fund \$18,421 for expenditures awaiting reimbursement from other agencies. These amounts are netted together and not reported in the statement of net position.

9. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the School's State revenue:

| Source | Amount |
|-----------------------------------|---------------------|
| Florida Education Finance Program | \$ 2,162,646 |
| Categorical Programs: | |
| Class Size Reduction | 373,488 |
| Charter School Capital Outlay | 189,046 |
| Miscellaneous | 1,687 |
| Total State Revenue | <u>\$ 2,726,867</u> |

As provided in the charter school contract, the District has charged the School an administrative fee of \$88,553.

10. FACILITY LEASE

The School entered into a build to suit lease with an option to purchase with SH ACCA, LLC for its educational facility. The lease was amended November 5, 2020, to defer partial rent payments for the fiscal year. The lease is for a term of 240 months with an initial base rent of \$835,905 per year with established annual increases. It also includes a purchase option after the first 12 months. Rent expense for the 2021-22 fiscal year totaled \$858,893. Amounts due to SH ACCA, LLC for rent of \$382,152 are included in Accounts Payable on the Statement of Net Position and Balance Sheet – Governmental Funds.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTE TO FINANCIAL STATEMENTS

June 30, 2022

Contribution: For the fiscal year, \$29,797 of rental expenditures was deferred and added to the option to purchase amount. Forgiveness of debt of \$29,797 is included within the Local and Other Revenue in the statement of activities and statement of revenues, expenditures and changes in fund balance – governmental funds.

11. OPERATING AGREEMENT

The School entered into a contract with School Development Group, Inc. (“SDG”) for the period August 2021 to July 30, 2022, to manage and consult on the business operations of the School. The agreement can be renewed or extended by mutual agreement. An annual fee of \$50,000 is to be paid in monthly installments. The total amount incurred under this agreement during the year ended June 30, 2022, was \$50,000.

12. TERMINATION OF CHARTER CONTRACT AND GOING CONCERN

On April 5, 2022, the District School Board of Osceola County approved the termination of the charter contract with American Classical Charter Academy, Inc. The School appealed the termination. The appeal was denied and the charter contract is terminated effective July 29, 2022. In accordance with the District’s approval of the charter and contract termination, the accompanying financial statements have been prepared assuming that the School will not continue as a going concern.

13. DEFICIT NET POSITION AND FUND BALANCE

The School reported a deficit net position and total fund balance of \$1,301,071 and \$448,336, respectively, at June 30, 2022. On April 5, 2022, the District School Board of Osceola County approved the termination of the charter contract with American Classical Charter Academy, Inc. The School appealed the termination which was denied and the charter contract is terminated effective July 29, 2022.

14. FUNDING AND CREDIT RISK CONCENTRATIONS

The School receives substantially all of its support and revenue from Federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

15. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2022, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTE TO FINANCIAL STATEMENTS

June 30, 2022

16. RISK MANAGEMENT PROGRAMS

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

17. LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

**Report on Internal Control Over Financial Reporting and Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government
Auditing Standards***

Independent Auditor's Report

To the Board of Directors of American Classical Charter Academy, Inc.
a Charter School and Component Unit of the District
School Board of Osceola County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of American Classical Charter Academy, Inc. ("School"), a charter school and component unit of the District School Board of Osceola County, Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 19, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 19, 2022
Tampa, Florida

**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of American Classical Charter Academy, Inc.
a Charter School and Component Unit of the District
School Board of Osceola County, Florida

Report on the Financial Statements

We have audited the financial statements of American Classical Charter Academy, Inc. (“School”), a Charter School and Component Unit of the District School Board of Osceola County, Florida, as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated September 19, 2022.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 19, 2022, 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. Corrective action was not taken to address findings and recommendations (2021-01 and 2021-02) made in the preceding annual financial audit. The same findings are reported as findings 2022-01 and 2022-02 on page 30.

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 American Classical Charter Academy, 490981.

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 met one or more of the conditions described in Section 218.503(1), Florida Statutes. See Finding 2022-04 on page 30.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did have recommendations. See Finding 2022-04 on page 30.

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 did not maintain on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. See Finding 2022-02 on page 30.

Additional Matters

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

Purpose of this Letter

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

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 19, 2022
Tampa, Florida

AMERICAN CLASSICAL CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Osceola County, Florida

SUMMARY OF FINDINGS AND RECOMMENDATIONS

June 30, 2022

Finding No.

- 2022-01 Board Meeting Minutes:** Pursuant to Section 286.001, Florida Statutes, the School is required to record the minutes of all board meetings and such records shall be open to public inspection. Minutes of board meetings aid in documenting all official actions taken by the board as it effects the financial and operational functions of the School. We requested, but were not provided with all of the School's Board meeting minutes. We observed eleven agendas for Board meetings during the 2021-22 fiscal year, but were only provided with minutes for five meetings. We recommend that management make the necessary efforts to ensure that meeting minutes are recorded and prepared for all Board meetings.
- 2022-02 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 did not maintain on its Web site minutes for all governing board meetings as specified in Section 1002.33(9)(p), Florida Statutes. We recommend management take appropriate action to maintain its website in accordance with the requirements.
- 2022-03 Budget Requirements:** Government Accounting Standard Board Statement No. 30 Paragraph 130 states that budgetary comparison schedules should be presented as required supplementary information for the general fund and each major special revenue fund that has a legally adopted budget. For the fiscal year ended June 30, 2022, we noted no budget to actual schedule was presented in the financial statements as no budget was adopted and approved by the School. We recommend management review necessary budgetary reporting requirements and adopt and approve a budget in the future.
- 2022-04 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 did meet two of the conditions described in Section 218.503(1), Florida Statutes. The School failed to pay uncontested claims from several vendors totaling approximately \$253,231, as recorded in the School's accounting records, within 90 days, as a result of a lack of funds. The School also failed to pay long-term debt payments, as a result of lack of funds. The School was provided written notice from a creditor that in accordance with the Promissory Note and Forbearance Agreement, the School was in default and the balance of all remaining principal and accrued interest owed was due and payable within 30 days. As of June 30, 2022, a balance of \$721,826 was remaining and is reported as current on the Statement of Net Position. We recommend the School come to an agreement with the School's vendors.

AMERICAN CLASSICAL CHARTER ACADEMY, INC.
A Charter School and Component Unit of the District School Board of Osceola County, Florida
MANAGEMENT’S RESPONSES TO FINDINGS AND RECOMMENDATIONS
June 30, 2022

Management did not respond to the audit findings and recommendations.