

**ST. CLOUD PREPARATORY
ACADEMY, INC.**

**Basic Combined Financial
Statements and
Supplemental Information**

**Year Ended
June 30, 2022**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC COMBINED FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	15
Notes to Financial Statements	16-29
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	31
Notes to Required Supplemental Information	32
SUPPLEMENTAL INFORMATION	
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>GOVERNMENT AUDITING STANDARDS</i>	34-35
MANAGEMENT LETTER	36-37
MANAGEMENT FINDINGS, RECOMMENDATIONS, AND REPONSES	38



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
St. Cloud Preparatory Academy, Inc.
St. Cloud, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Cloud Preparatory Academy, Inc. and St. Cloud Preparatory Academy, LP (collectively the "School"), 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 is sufficient and appropriate to provide a basis for our audit opinions.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note H to the financial statements, the School ceased operations on June 30, 2022 as it did not have enough students to receive funds to make required lease payments to cover operating expenses, and the School was closed. Management's evaluation of the events and conditions regarding those matters are also described in Note H. Our opinion is note modified with respect to that matter.

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.

Responsibilities of Management for the Financial Statements

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 generally accepted auditing standards 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 generally accepted auditing standards 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 the management's discussion and analysis and budgetary comparison information on pages 4–9 and 31–32 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. 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 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 School's internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
October 7, 2022

Management's Discussion and Analysis

As management of St. Cloud Preparatory Academy, Inc. and St. Cloud Preparatory Academy, LP (collectively the "School"), which are components of the School District of Osceola County, Florida, we offer readers of the School's combined financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2022 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's combined financial activities, (c) identify changes in the School's combined financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the Basic Combined Financial Statements found starting on page 10.

Financial Highlights

- The liabilities of the School exceeded its assets at the close of the most recent fiscal year by \$92,820.
- The School's total net position increased by \$302,819 during the year.
- As of the close of the current fiscal year, the School's governmental fund reported combined ending fund balance (deficit) of \$(65,320), a decrease of \$520,267 in comparison with the prior year.
- During the current fiscal year, the School's PPP loans, which totaled \$964,400 under the Paycheck Protection Program ("PPP") established by the Coronavirus Aid Relief, and Economic Security Act ("CARES Act"), were forgiven.
- The School ceased operations on June 30, 2022, as it did not have enough students to receive funds to make required lease payments and to cover operations of the School.

Overview of the Combined Financial Statements

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

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

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

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and fiscal services are examples of the School's governmental activities.

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

The government-wide financial statements can be found on pages 10 - 11 of this report.

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

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

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

The School maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund which is considered to be a major fund.

The School adopts an annual appropriated budget for its operations. Budgetary comparison statements with required notes have been provided to demonstrate compliance with this budget and can be found on pages 31 through 32 of this report.

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 16 of this report.

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 \$92,820 at June 30, 2022, compared to June 30, 2021 when liabilities exceeded assets by \$395,639.

A portion of the School's net position reflects its investment in capital assets (e.g., furniture and equipment and computers), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

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

The School's net position were as follows:

Governmental Activities			
	June 30, 2022	June 30, 2021	Variance
ASSETS			
Current assets	\$ 61,325	\$ 716,034	\$ (654,709)
Capital assets - net of accumulated depreciation	-	11,142,439	(11,142,439)
Note receivable	-	2,000,000	(2,000,000)
Total assets	<u>61,325</u>	<u>13,858,473</u>	<u>(13,797,148)</u>
LIABILITIES			
Current liabilities	126,645	261,087	(134,442)
Non-current liabilities	27,500	13,993,025	(13,965,525)
Total liabilities	<u>154,145</u>	<u>14,254,112</u>	<u>(14,099,967)</u>
NET POSITION			
Investment in capital assets	-	(1,714,343)	1,714,343
Unrestricted	<u>(92,820)</u>	<u>1,318,704</u>	<u>(1,411,524)</u>
Net position (deficit)	<u>\$ (92,820)</u>	<u>\$ (395,639)</u>	<u>\$ 302,819</u>

The School closed on June 30, 2022. The decrease in capital assets, note receivable, and non-current liability are related to the closing of the School.

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

Governmental Activities			
	2022	2021	Variance
Revenues:			
Program revenues:			
Federal passed through local school district	\$ 112,078	\$ 48,186	\$ 63,892
Federal passed through state	128,650	34,649	94,001
State passed through local school district	3,024,085	3,810,861	(786,776)
Debt forgiveness	964,400	478,174	486,226
Other income	439,396	221,443	217,953
Total revenue	<u>4,668,609</u>	<u>4,593,313</u>	<u>75,296</u>
Expenses:			
Basic instruction	2,271,044	2,180,890	90,154
Instructional support	40,496	52,786	(12,290)
Classroom costs	3,152	32,076	(28,924)
Board expenses	46,946	129,104	(82,158)
General administration	213,803	200,109	13,694
School administration	678,872	695,437	(16,565)
Fiscal services	17,821	40,953	(23,132)
Food services	106,460	20,390	86,070
Central services	5,274	26	5,248
Transportation	1,175	-	1,175
Operation of plant	767,856	1,413,903	(646,047)
Maintenance of plant	71,748	102,218	(30,470)
Administrative technology	18,049	18,703	(654)
Community service	123,094	159,713	(36,619)
Total expenses	<u>4,365,790</u>	<u>5,046,308</u>	<u>(680,518)</u>
Change in net position	<u>302,819</u>	<u>(452,995)</u>	<u>755,814</u>
Net position (deficit) - beginning	<u>(395,639)</u>	<u>57,356</u>	<u>(452,995)</u>
Net position (deficit) - ending	<u>\$ (92,820)</u>	<u>\$ (395,639)</u>	<u>\$ 302,819</u>

The increase in revenue is primarily due to forgiveness of the PPP loans offset by the drop in the number of students. The decrease in overall expenses is primarily related to a decrease in operation of plant for the reduced lease payments. Student FTE was approximately 423 for 2022 compared to 501 for 2021.

Governmental activities. Governmental activities increased the School's net position by \$302,819 for the year ended June 30, 2022. Governmental activities decreased the School's net position by \$452,995 for the year ended June 30, 2021.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the school. At the end of the current fiscal year, the unassigned fund balance (deficit) was (\$65,320) in the general fund.

The fund balance of the School's general fund decreased by \$520,267 during the current fiscal year ended June 30, 2022.

Capital Asset and Debt Administration

Capital Assets. The School's investment in capital assets net of related debt for its governmental activities as of June 30, 2022 amounts to \$0 as the School closed on June 30, 2022. Additional information on the School's capital assets and capital lease asset and obligation, can be found in Notes C and F.

Debt Administration. The School received additional PPP funds of \$492,000 during the fiscal year June 30, 2022. Original PPP funds of \$472,400 were received in fiscal 2021. As of June 30, 2022, both PPP loans were forgiven and \$964,400 was recognized as debt forgiveness in the Statement of Activity. More detailed information about the School's long-term liabilities is presented in Note E to the financial statements.

General Fund Budgetary Highlights

The School's budget is prepared in conformity with accounting principles generally accepted in the United States of America and according to Florida Law. During the school year, the School's Board of Directors revised the budget to adjust for changes in revenues or expenditures. This happened following the FTE counts done in October and February. A statement showing the School's original and final budget compared with actual operating results is presented in the required supplemental information on page 31 to 32.

Revenues and expenditures equaled the budget for the year ended June 30, 2022 as the budget was subsequently revised to equal actual results. Regarding the original budget, unfavorable variances occurred in revenues primarily due to decreased enrollment and favorable variances occurred in expenses primarily due to decreases in basic instruction and operation of plant expenses resulting from smaller student population and reduced lease expenses.

Economic Factors and Next Year's Budget

As of June 30, 2022, the School closed and ceased operations for the upcoming year. Therefore, a budget is not required for 2022-23.

Request for Information

This financial report is designed to provide a general overview of St. Cloud Preparatory Academy, Inc.'s finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The School District of Osceola County, Florida, 817 Bill Beck Blvd, Kissimmee, Florida 34744.

ST. CLOUD PREPARATORY ACADEMY, INC.

STATEMENT OF NET POSITION

June 30, 2022

		Governmental Activities
	ASSETS	
CURRENT ASSETS		
Cash		\$ 42,699
Accounts receivable		<u>18,626</u>
Total assets		<u>61,325</u>
	LIABILITIES AND NET POSITION	
CURRENT LIABILITIES		
Accrued payroll		117,227
Accounts payable		<u>9,418</u>
Total current liabilities		126,645
NONCURRENT LIABILITIES		
Long-term debt		
Due within one year		<u>27,500</u>
Total liabilities		<u>154,145</u>
NET POSITION		
Unrestricted		<u>(92,820)</u>
Total net position (deficit)		<u><u>\$ (92,820)</u></u>

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

ST. CLOUD PREPARATORY ACADEMY, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities:					Governmental Activities
Basic instruction	\$ 2,271,044	\$ -	\$ 97,646	\$ -	\$ (2,173,398)
Instructional support	40,496	-	-	-	(40,496)
Classroom costs	3,152	-	-	-	(3,152)
Board expenses	46,946	-	-	-	(46,946)
General administration	213,803	-	-	-	(213,803)
School administration	678,872	-	-	-	(678,872)
Fiscal services	17,821	-	-	-	(17,821)
Food services	106,460	128,650	-	-	22,190
Central services	5,274	-	-	-	(5,274)
Transportation	1,175	-	-	-	(1,175)
Operation of plant	767,856	-	-	112,078	(655,778)
Maintenance of plant	71,748	-	-	-	(71,748)
Administrative tech	18,049	-	-	-	(18,049)
Community service	123,094	-	-	-	(123,094)
Total governmental activities	<u>\$ 4,365,790</u>	<u>\$ 128,650</u>	<u>\$ 97,646</u>	<u>\$ 112,078</u>	<u>(4,027,416)</u>
General revenues:					
State passed through local school district					2,926,439
Debt forgiveness					964,400
Other income					439,396
Total general revenues					<u>4,330,235</u>
Change in net position					302,819
Net position (deficit) at July 1, 2021					<u>(395,639)</u>
Net position (deficit) at June 30, 2022					<u>\$ (92,820)</u>

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

ST. CLOUD PREPARATORY ACADEMY, INC.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Capital Outlay Fund	Total Governmental Funds
ASSETS			
Cash	\$ 42,699	\$ -	\$ 42,699
Accounts receivable	18,626	-	18,626
Total assets	<u>\$ 61,325</u>	<u>\$ -</u>	<u>\$ 61,325</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued payroll	\$ 117,227	\$ -	\$ 117,227
Accounts payable	9,418	-	9,418
Total liabilities	<u>126,645</u>	<u>-</u>	<u>126,645</u>
FUND BALANCES			
Unassigned	<u>(65,320)</u>	<u>-</u>	<u>(65,320)</u>
Total fund balances (deficit)	<u>(65,320)</u>	<u>-</u>	<u>(65,320)</u>
Total liabilities and fund balances	<u>\$ 61,325</u>	<u>\$ -</u>	<u>\$ 61,325</u>

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

ST. CLOUD PREPARATORY ACADEMY, INC.
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2022

Fund balances (deficit) - total governmental funds	\$ (65,320)
Long-term note receivable not due or receivable in the current period and, therefore, not reported in the general fund	
Long-term debt are not due and payable in the current period and, therefore, not reported in the general fund	<u>(27,500)</u>
Total net position (deficit) of governmental activities	<u><u>\$ (92,820)</u></u>

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

ST. CLOUD PREPARATORY ACADEMY, INC.

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

Year Ended June 30, 2022

	General Fund	Capital Outlay Fund	Total Governmental Funds
Revenues			
Federal passed through state	\$ 226,296	\$ -	\$ 226,296
State passed through local school district	2,926,439	112,078	3,038,517
Other income	305,826	-	305,826
Total revenues	<u>3,458,561</u>	<u>112,078</u>	<u>3,570,639</u>
Expenditures			
Current:			
Basic instruction	2,271,044	-	2,271,044
Instructional support	40,496	-	40,496
Classroom costs	3,152	-	3,152
Board expenses	46,946	-	46,946
General administration	213,803	-	213,803
School administration	343,205	-	343,205
Fiscal services	17,821	-	17,821
Food services	106,460	-	106,460
Central services	5,274	-	5,274
Transportation	1,175	-	1,175
Operation of plant	655,778	112,078	767,856
Maintenance of plant	71,748	-	71,748
Administrative tech	18,049	-	18,049
Capital outlay	30,784	-	30,784
Community service	123,093	-	123,093
Debt service:			
Principal	30,000	-	30,000
Total expenditures	<u>3,978,828</u>	<u>112,078</u>	<u>4,090,906</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(520,267)</u>	<u>-</u>	<u>(520,267)</u>
Net change in fund balances	<u>(520,267)</u>	<u>-</u>	<u>(520,267)</u>
Fund balances at July 1, 2021	<u>454,947</u>	<u>-</u>	<u>454,947</u>
Fund balances (deficit) at June 30, 2022	<u><u>\$ (65,320)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (65,320)</u></u>

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

ST. CLOUD PREPARATORY ACADEMY, INC.

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

Year Ended June 30, 2022

Net change in fund balances - total government funds \$ (520,267)

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

Governmental funds report fixed capital outlays as expenditures.
However, in the statement of activities, the cost of those assets
is allocated over their estimated useful lives and reported as
depreciation expense.

Total fixed capital outlay	\$ 30,784	
Depreciation	<u>(335,667)</u>	
Total capital assets		(304,883)

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. Also, governmental
funds report the effect of issuance costs, premiums, discounts,
and similar items when the debt is first issued, whereas these
amounts are deferred and amortized in the statement of activities.

Debt forgiveness	964,400
Principal payment on long-term debt	30,000
Governmental funds report the disposition of assets and liabilities for closing of the School differently than how the disposition is reported in the statement of activities (special items)	<u>133,569</u>

Change in net position of governmental activities	<u>\$ 302,819</u>
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The accompanying notes are an integral part of these financial statements.

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

St. Cloud Preparatory Academy, Inc. (the "School") is a not-for-profit corporation that operates an elementary school in St. Cloud, Florida, which is a component unit of the School District of Osceola County, Florida (the "District"). The Corporation was organized in December 2013 pursuant to Chapter 617, Florida Statutes, Florida Not-For-Profit Corporation Act. The governing body of the School is a not-for-profit corporation Board of Directors composed of 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 board, the School District of Osceola County (the "School District"). The original charter was effective until June 30, 2021, and was renewed on March 3, 2021 by mutual agreement between the School and the School District, and extended three additional years to June 30, 2023. On June 30, 2022, the School ceased operations and closed.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are described in GASB Statement No. 14, as amended by GASB Statement No. 39 and No. 61. 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 required to be included within the reporting entity of the School.

The financial statements of St. Cloud Preparatory Academy, LP ("LP") are combined with the statements of St. Cloud Preparatory Academy, Inc. ("Inc."), which has a controlling interest in LP. LP and Inc. are collectively referred to as the School. The operations of LP are so intertwined with those of Inc. and to not combine the financial statements of the two entities would be misleading. LP was involved in the initial financing of Inc. through EB-5 financing and records payroll and revenue of Inc in its books to comply with EB-5 requirements. In addition, LP had a note receivable from the developer for \$2,000,000, which was recorded in the accompanying combined financial statements, but with the closure of the School was written off at June 30, 2022. The note had a due date which had been extended indefinitely and carried an interest rate of 6% plus a service fee rate of .34% both of which were paid monthly by the developer directly to the special partner of the LP and were not recorded in the financial statements of LP.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business-type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets; restricted net assets; and unrestricted net assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation. As of June 30, 2022, there was not any net position classified as restricted in the statement of net position.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

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

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

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

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. 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 recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

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

The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

Nonspendable: This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.

Assigned: This classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.

Unassigned: This classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the general fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet on page 12.

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

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

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

Capital Outlay Fund - in accordance with guidelines established by The School District of Osceola County, Florida, this fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

4. Cash

The School's cash consists of demand deposits with a financial institution which are insured by the Federal depository insurance.

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

5. Capital assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$275. Such assets are recorded at historical cost. Donated capital assets are recorded at their acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets of the School 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
Computer equipment and software	3
Capital lease asset	40

6. Prepaid items

Payment made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items in both the government-wide and fund financial statements.

7. Revenue recognition

Student funding is provided by the State of Florida through the School District. Such funding is recorded as State passed through local school district in the government-wide financial statements and fund financial statements and is net of the 5% administration fee retained by the School District. This funding is received on a prorate basis over the twelve month period and is adjusted for changes in full-time equivalent (FTE) student population.

8. Revenue sources

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

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

8. Revenue sources (continued)

weighted FTE students reported by the School during designated FTE student survey periods.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

9. Use of estimates

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

10. Income taxes

St. Cloud Preparatory Academy, 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 prior three years through June 30, 2022.

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

11. New GASB implementation

The GASB issued Statement No. 87, Leases, which established new guidance for lease accounting for lessees and lessors and eliminates the classification of leases into operating or capital leases. This statement established 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 GASB did not have an impact on the financial statements as the School did not have any leases which meet the new guidance requirements.

NOTE B - CASH

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The School maintains its cash balances in a financial institution insured by the Federal Deposit Insurance Corporation ("FDIC"). Under the FDIC program, all of the School's cash balances maintained in accounts at the financial institution are fully guaranteed by the FDIC up to \$250,000.

At June 30, 2022, the School's cash balance was entirely covered by FDIC insurance.

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE C - CAPITAL ASSETS

Changes in capital assets were as follows for the year ended June 30, 2022:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets:				
Furniture and equipment	\$ 181,220	\$ -	\$ 181,220	\$ -
Computer software	8,500	-	8,500	-
Computer equipment	99,531	30,784	130,315	-
Capital lease asset	12,671,334	-	12,671,334	-
Total assets depreciated	12,960,585	\$ 30,784	\$ 12,991,369	-
Less accumulated depreciation:				
Furniture and equipment	98,415	\$ 17,464	\$ 115,879	-
Computer software	8,500	-	8,500	-
Computer equipment	99,531	1,420	100,951	-
Capital lease asset	1,611,700	316,783	1,928,483	-
Total accumulated depreciation	1,818,146	\$ 335,667	\$ 2,153,813	-
Total governmental activities capital assets, net	<u>\$11,142,439</u>			<u>\$ -</u>

Depreciation expense in the amount of \$335,667 was charged to school administration for the year ended June 30, 2022.

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE D - 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 Osceola County	
Base funding	\$ 1,911,972
ESE guaranteed allocation	50,148
Supplemental academic instruction	92,248
Class size reduction	416,661
Discretionary local effort (WFTE)	141,351
Discretionary millage	111,571
Classroom supply assistance allocation	6,073
Summer reading allocation	17,091
Instructional materials	36,844
Teacher Salary Increase Allocation	86,671
Digital classrooms allocation	667
Safe schools allocation	22,206
Compression allocation	32,936
Subtotal	2,926,439
Capital outlay	112,078
National School Lunch Program	128,650
Federal Grants	97,646
Total passed through the School	
District of Osceola County	3,264,813
Other revenue:	
Debt forgiveness	964,400
Other income	439,396
	<u>\$4,668,609</u>

The administration fee paid to the District during the year ended June 30, 2022 totaled approximately \$86,301 and is reflected as a general administration expense/expenditure in the accompanying financial statements.

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE E - NOTES PAYABLE

Long-term notes payable at June 30, 2022 consists of the following:

Note payable, Southcrest Management, LLC., payable in an initial payment of \$10,000 and subsequent monthly payments of \$2,500, including no interest, maturing June 2023	\$ 27,500
	<u>27,500</u>
Less: current portion	<u>(27,500)</u>
Total long-term notes payable	<u>\$ -</u>

The notes payable amounts are categorized as current because they are deemed payable in the upcoming year based on the additional revenues projected from increased number of students. Payment of the notes is subject to priority payment levels described in Note F.

The note to Banyan OSC, LLC (Banyan) is level four priorities. The total amount of the Banyan note was in dispute with Banyan, and was reported in the financial statements at the 2017 amount of \$133,185 less payments made in fiscal 2017 of \$18,843. No payments were made since the fiscal 2017. The amount due to Banyan was written off with the closure of the School on June 30, 2022.

On May 7, 2022, the School entered into a settlement agreement with Southcrest Management LLC., in the amount of \$70,000 for expenses which had been incurred by Southcrest Management LLC., in relation to the Letter of Intent to develop and construct the high school. The initial payment on the note was due upon the settlement agreement execution in the amount of \$10,000, followed by monthly payments of \$2,500 until the note matures on June 1, 2023. The note has a 0% interest rate and upon any default of a payment, Southcrest Management is entitled to the original amount demanded from the School of \$175,757.

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE E - NOTES PAYABLE (continued)

On March 27, 2021, 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. Management is obtained forgiveness of the loans in fiscal 2022 and recognized forgiveness of debt in the Statement of Activities.

The following is a summary of changes in the PPP loan payable for the year ended June 30, 2022:

Balance outstanding at the beginning of the year	<u>\$ 964,400</u>
Addition	-
Reduction	<u>964,400</u>
Balance outstanding at the end of the year	<u>\$ -</u>

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

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Amount Due In 1 Year
Banyan Loan	\$ 114,343	\$ -	\$ 114,343	\$ -	\$ -
PPP Loans	964,400	-	964,400	-	-
Capital Lease (See Note F)	12,856,782	-	12,856,782	-	-
Southcrest Management	<u>57,500</u>	<u>-</u>	<u>30,000</u>	<u>27,500</u>	<u>27,500</u>
Total long term debt	<u>\$ 13,993,025</u>	<u>\$ -</u>	<u>\$ 13,965,525</u>	<u>\$ 27,500</u>	<u>\$ 27,500</u>

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE F - COMMITMENTS

1. *Capital lease*

The School leased its facilities under an amended lease agreement with Osceola Charter Holdings, LLC ("OCH") dated March 1, 2019. The original lease was dated December 21, 2013. The lease required monthly payments of \$92,000, \$103,333, and \$112,500 following each consecutive fiscal year after June 30, 2019 and annual increases of 2.5% for all future payments. The lease ends on September 2039 and may be extended for four additional terms of five years each. The School is also responsible for all sales and real estate taxes, insurance, and utilities related to the facilities. On November 5, 2021, the School entered into a settlement agreement with AEP Charter St. Cloud, LLC. ("AEP"), for the outstanding rent, which had not been paid. The settlement required the School to pay on November 5, 2021 \$600,000 and the monthly rent payment of \$70,000 for the remainder of the year, and on June 30, 2022, the rent payments would return to the \$112,500 monthly amount for the 2022-2023 fiscal year. The School recognized debt forgiveness of \$478,174 as a result of the settlement in fiscal 2021. Rent expense charged to operations for fiscal 2022 totaled \$504,691. The lease agreement was terminated on June 30, 2022 with the closure of the School.

On July 14, 2016, the School's lease agreement with OCH dated June 22, 2015 was amended and restated. This amendment titled Addendum To Amended and Restated Lease #1 ("Lease Addendum"), provides for Phase 2 and Phase 3 improvements to the School's property. Phase 2 consisted of the building of a 4th permanent modular structure to supplement the current three permanent modular buildings. The total estimated development cost for Phase 2 was \$250,000. Phase 3 consisted of the construction of a K-5 building with a minimum of 20,000 square feet for a total estimated cost of \$5.5 million. The annual rent based on an amendment dated March 1, 2019 will be \$1,186,664, and with annual increases 1.96%, with payments commencing in March 2019. The Lease Addendum includes a purchase option whereby the School can purchase the leased property for \$10 million plus the total development costs of Phases 2 and 3 which in total is approximately \$15,780,000. The expiration of the Lease Addendum is in fiscal 2040. The lease agreement was terminated on June 30, 2022 with the closure of the School.

The original lease and amendments meets the criteria for recognition as a capital lease under GASB 62. Accordingly, the School recorded a capital lease asset for \$12,671,334 and a corresponding capital lease obligation for \$12,856,782, which represented the 2014 cost of the land, buildings, improvements, and Phase II and Phase III costs and improvements. The implicit interest rate on the lease is 10.179%. The lease payments are subject to priority payment levels discussed in Note F-3. The lease agreement was terminated on June 30, 2022 with the closure of the School.

The write-off of the lease asset and liability (and other assets and liabilities) resulted in a \$133,569 difference between the full accrual and modified accrual bases of accounting.

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE F - COMMITMENTS (continued)

2. Management service agreement

The School had a support services agreement with Banyan OSC, LLC ("Banyan") dated December 19, 2013 (amended July 1, 2015) to provide certain non-academic services to the School consisting principally of administrative duties and responsibilities. The agreement was terminated in October 2015. No management fees were charged to operations in fiscal 2022. The remaining note outstanding to Banyan of \$114,343 at June 30, 2022 was subject to the priority payment levels discussed in Note F-3.

On September 11, 2021, the School revised its support services agreement with Building Hope Services ("Building Hope") dated December 1, 2019 to provide certain non-academic services to the School consisting principally of administrative duties and responsibilities. Management fees of \$14,187 were charged to operations in fiscal 2022. The management contract was terminated with the closure of the School on June 30, 2022.

3. Debt payment priorities

An August 13, 2015 corrective action plan was developed between the School and the District and within the agreement there is a priority of creditors. The priority of payout to the different creditors will occur when the School has surplus cash flow. The different levels of priorities are as follows:

1. Level 1: payroll, payroll taxes, employee benefits, utilities, lease payments and other operating expenditures that directly affect the well-being of the students.
2. Level 2: all short term bridge loans that enabled the School to remain open after funding was suspended.
3. Level 3: operating expenditures with key vendors as set forth in a restructuring agreement with Banyan.
4. Level 4: all deferred debt owed to OCH and Banyan.

4. Legal issues

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.

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE G – RISK AND UNCERTAINTIES

On January 30, 2021, 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 2021, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

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

NOTE H - SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 30, 2022 which is the date the financial statements were available be issued.

The School ceased operation on June 30, 2022 as enrollment totaled 423 students for fiscal 2022 and projected enrollment for fiscal 2022 was less than 400 students. An enrollment of 600 students was necessary for successful operations, and to make required lease payments and payroll. The loss of students resulted in a loss of revenue and ultimately the closure of the School on June 30, 2022. This matter raises substantial doubt about the School’s ability to continue as a going concern.

REQUIRED SUPPLEMENTAL INFORMATION

ST. CLOUD PREPARATORY ACADEMY, INC.

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

Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Federal passed through local school district	\$ 50,000	\$ 226,296	\$ 226,296	\$ -
State passed through local school district	4,005,935	2,926,439	2,926,439	-
Other income	207,000	305,826	305,826	-
Total revenues	4,262,935	3,458,561	3,458,561	-
Expenditures				
Current:				
Basic instruction	2,407,584	2,271,044	2,271,044	-
Instructional support	84,038	40,496	40,496	-
Classroom costs	-	3,152	3,152	-
Board expenses	23,000	46,946	46,946	-
General administration	139,413	213,803	213,803	-
School administration	359,622	343,205	343,205	-
Fiscal services	149,196	17,821	17,821	-
Food services	50,000	106,460	106,460	-
Central services	600	5,274	5,274	-
Transportation	1,700	1,175	1,175	-
Operation of plant	1,654,907	655,778	655,778	-
Maintenance of plant	9,900	71,748	71,748	-
Administrative technology	10,250	18,049	18,049	-
Community service	158,894	123,093	123,093	-
Capital outlay	-	30,784	30,784	-
Debt service:				
Principal	30,000	30,000	30,000	-
Total expenditures	5,079,104	3,978,828	3,978,828	-
Excess (deficiency) of revenues over (under) expenditures	(816,169)	(520,267)	(520,267)	-
Net change in fund balances	(816,169)	(520,267)	(520,267)	-
Fund balances at July 1, 2021	454,947	454,947	454,947	-
Fund balances at June 30, 2022	\$ (361,222)	\$ (65,320)	\$ (65,320)	\$ -

See note to required supplemental information.

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2022

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"). The budgets presented for fiscal year ended June 30, 2022, have been amended according to Board procedures. 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 each major special revenue fund for which a legally adopted budget exists.

SUPPLEMENTAL INFORMATION



Partners

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Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
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American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

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

To the Board of Directors
St. Cloud Preparatory Academy, Inc.
St. Cloud, 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 St. Cloud Preparatory Academy, Inc. and St. Cloud Preparatory Academy, LP (collectively the "School"), 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 30, 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida
October 7, 2022



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American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

MANAGEMENT LETTER

To the Board of Directors
St. Cloud Preparatory Academy, Inc.
St. Cloud, Florida

Report on the Financial Statements

We have audited the combined financial statements of St. Cloud Preparatory Academy, Inc. and St. Cloud Preparatory Academy, LP (collectively the "School"), as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated September 30, 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 combined 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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in the report, which is dated September 30, 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 actions have been taken to address findings made in the preceding annual financial audit report, of which there were none.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires 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 *St. Cloud Preparatory Academy, Inc. (0162)*.

Financial Condition and Management

Section 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 identification of the specific conditions met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by the 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 that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in section 1002.33(9)(p), Florida Statutes.

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 Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, The Florida Auditor General, Federal and other granting agencies, St. Cloud Preparatory Academy's management, the School District of Osceola County, the Board of Directors, and applicable management 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 7, 2022

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

For the year ended June 30, 2022, there were no management recommendations.