

**CANOE CREEK
CHARTER ACADEMY
(A division of the Foundation
for Osceola Education, Inc.)**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2020**

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INDEPENDENT AUDITORS' REPORT

Partners

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To the Board of Directors
The Foundation for Osceola Education, Inc.
Kissimmee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canoe Creek Charter Academy (the "School"), a division of The Foundation for Osceola Education, Inc. (the "Charterholder"), which is a component unit of the School District of Osceola County, Florida, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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**American Institute of
Certified Public
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Certified Public
Accountants**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–7 and 29–31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Canoe Creek Charter Academy's internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 21, 2020

Management's Discussion and Analysis

As management of Canoe Creek Charter Academy (the "School"), a division of The Foundation for Osceola Education, Inc. (the "Charterholder"), which is a component unit of the School District of Osceola County, Florida, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2020 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

As of July 1, 2020, control of the School was transferred to the Osceola County School District, who has taken control of all assets and assumed all the liabilities related to the School.

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 Financial Statements found starting on page 8.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$323,959 (net position).
- The School's net position increased by \$3,634 during the year.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$196,874, an increase of \$11,578 in comparison with the prior year.

Overview of the 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 (e.g., uncollected funding and earned but unused vacation leave).

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

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

The government-wide financial statements can be found on pages 8 - 9 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, special revenue, and capital outlay fund, all of which are considered to be major funds.

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 29 through 31 of this report.

The basic governmental fund financial statements can be found on pages 10 - 13 of this report.

Agency fund. In addition, the School has one agency fund which is a student activity fund. This fund is formed for educational and school purposes. The agency fund financial statement can be found on page 14 of this report. The assets and liabilities of this fund are not included in the government-wide statement of net position.

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 15 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, assets exceeded liabilities by \$323,959 at June 30, 2020, compared to \$320,325 at June 30, 2019.

A portion of the School's net position reflects its investment in capital assets (e.g., improvements, furniture, fixtures, and equipment, IT equipment, computer software, and audio visual equipment), 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:

Canoe Creek Charter Academy Statement of Net Position

| | Governmental Activities | | |
|--|-------------------------|---------------|--------------|
| | June 30, 2020 | June 30, 2019 | Variance |
| ASSETS | | | |
| Current and other assets | \$ 441,792 | \$ 639,838 | \$ (198,046) |
| Capital assets, net of accumulated depreciation | 246,850 | 303,223 | (56,373) |
| Total assets | 688,642 | 943,061 | (254,419) |
| LIABILITIES | | | |
| Current and other liabilities | 280,687 | 499,359 | (218,672) |
| Long-term liabilities | 83,996 | 123,377 | (39,381) |
| Total liabilities | 364,683 | 622,736 | (258,053) |
| NET POSITION | | | |
| Invested in capital assets | 127,085 | 149,472 | (22,387) |
| Unrestricted | 196,874 | 170,853 | 59,021 |
| Total net position | \$ 323,959 | \$ 320,325 | \$ 3,634 |

The School saw a decrease in total revenues of approximately \$568,000 compared to the previous year. The School's enrollment decreased from approximately 483 FTE for fiscal 2019 to 383 for fiscal 2020 resulting in lower state pass through revenue, as well as lower Title I and Capital Outlay revenue received in the current year. Overall total expenses decreased compared to the previous year due to a decrease in cost reimbursement and management fees as well as less personnel and student related expenses due to the decrease in enrollment.

Governmental activities. Governmental activities increased the School's net position by \$3,634 for the year ended June 30, 2020. Governmental activities decreased the School's net position by \$36,161 for the year ended June 30, 2019.

**Canoe Creek Charter Academy
Statement of Activities**

| | Governmental Activities | | |
|--|--------------------------------|-------------------|------------------|
| | 2020 | 2019 | Variance |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 26,950 | \$ 32,328 | \$ (5,378) |
| Operating grants and contributions | 210,851 | 350,251 | (139,400) |
| Capital grants and contributions | 260,078 | 294,146 | (34,068) |
| General revenues | | | |
| State passed through local school district | 2,688,936 | 3,237,311 | (548,375) |
| Other revenues | 322,079 | 163,311 | 158,768 |
| Total revenues | <u>3,508,894</u> | <u>4,077,347</u> | <u>(568,453)</u> |
| Expenses: | | | |
| Instruction | 1,465,200 | 1,779,071 | 313,871 |
| Other pupil services | 72,291 | 148,650 | 76,359 |
| Staff development | 34,194 | 44,933 | 10,739 |
| Instruction related technology | 60,176 | 69,669 | 9,493 |
| Board of directors | 28,958 | 21,190 | (7,768) |
| School administration | 529,418 | 565,850 | 36,432 |
| Fiscal services | 18,150 | 6,341 | (11,809) |
| Food services | 498 | 214 | (284) |
| Central services | 5,762 | 6,622 | 860 |
| Transportation | 171,207 | 208,983 | 37,776 |
| Operation of plant | 980,842 | 1,093,707 | 112,865 |
| Maintenance of plant | 93,959 | 109,889 | 15,930 |
| Community services | 37,573 | 51,264 | 13,691 |
| Interest | 7,032 | 7,125 | 93 |
| Total expenses | <u>3,505,260</u> | <u>4,113,508</u> | <u>608,248</u> |
| Change in net position | 3,634 | (36,161) | 39,795 |
| Net position - beginning | <u>320,325</u> | <u>356,486</u> | <u>(36,161)</u> |
| Net position - ending | <u>\$ 323,959</u> | <u>\$ 320,325</u> | <u>\$ 3,634</u> |

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, there was \$166,000 of committed fund balance in the general fund for future capital renovations at the School.

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, there was \$166,000 of committed fund balance in the general fund for future capital renovations at the School.

The fund balance of the School's general fund increased by \$11,578 during the current fiscal year ended June 30, 2020.

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$246,850 (net of accumulated depreciation). This investment in capital assets includes furniture fixture and equipment, improvements other than building, IT equipment, computer software and audio visual equipment. Additional information on the School's capital assets can be found in Note C.

Debt Administration. The School has debt related to a loan for the purchase of a chiller. The balance at June 30, 2020 is \$119,765. Additional information can be found in Note F.

General Fund Budgetary Highlights

Total revenues for the year ended June 30, 2020 were lower than budgeted due to an enrollment shortfall. Because of the enrollment shortfall as well as lower cost reimbursement and management fees than budgeted, total expenditures were also less than budgeted. The School had a change in fund balance that was favorable to the final budget by approximately \$291,000. The original budget was amended due to the decrease in enrollment. Actual results exceeded the amended budget which resulted in the favorable budget variance.

Economic Factors and Next Year's Budget

In fiscal year 2020, the State of Florida increased its Florida Education Finance Program base funding, safe schools and mental health initiative allocations. The capital outlay funding pool increased to \$158 million. A 2% merit increase was also paid out to eligible staff.

For fiscal year 2021, capital outlay revenue was assumed at a flat rate in comparison to the current rate per student. The budgets reflect the Florida Education Finance Program funding increase to fund teacher salary increases. A 2% merit increase for all staff was also budgeted. All other expenditures are budgeted in alignment with enrollment changes and the school's strategic objectives.

Request for Information

This financial report is designed to provide a general overview of Canoe Creek Charter Academy'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 Maria Garzon, Controller, Charter Schools USA, 800 Corporate Drive, Suite 700, Fort Lauderdale, Florida 33334.

Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)

STATEMENT OF NET POSITION

June 30, 2020

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash | \$ 384,585 |
| Accounts receivable | 2,383 |
| Due from local school district | 19,280 |
| Prepaid items | 12,579 |
| Deposits | 22,965 |
| Total current assets | 441,792 |
| CAPITAL ASSETS | |
| Capital assets, net of accumulated depreciation | |
| Furniture, fixtures and equipment | 25,213 |
| Improvements other than buildings | 180,241 |
| IT equipment | 32,141 |
| Audio visual equipment | 9,165 |
| Computer software | 90 |
| Total capital assets | 246,850 |
| Total assets | 688,642 |
| LIABILITIES AND NET POSITION | |
| CURRENT LIABILITIES | |
| Accounts payable | 50,405 |
| Accrued payroll and other expenses | 12,913 |
| Due to management company | 135,350 |
| Due to other schools | 46,250 |
| Loan payable to sponsor - due within one year | 35,769 |
| Total current liabilities | 280,687 |
| LONG-TERM LIABILITIES | |
| Loan payable to sponsor - due within more than one year | 83,996 |
| Total liabilities | 364,683 |
| NET POSITION | |
| Investment in capital assets | 127,085 |
| Unrestricted | 196,874 |
| Total net position | \$ 323,959 |

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

Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--------------------------------|--------------|--|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| Instruction | \$ 1,465,200 | \$ - | \$ 182,255 | \$ - | \$ (1,282,945) |
| Other pupil services | 72,291 | - | - | - | (72,291) |
| Staff development | 34,194 | - | - | - | (34,194) |
| Instruction related technology | 60,176 | - | - | - | (60,176) |
| Board of directors | 28,958 | - | - | - | (28,958) |
| School administration | 529,418 | - | - | - | (529,418) |
| Fiscal services | 18,150 | - | - | - | (18,150) |
| Food services | 498 | - | - | - | (498) |
| Central services | 5,762 | - | - | - | (5,762) |
| Transportation | 171,207 | - | - | - | (171,207) |
| Operation of plant | 980,842 | - | 28,596 | 260,078 | (692,168) |
| Maintenance of plant | 93,959 | - | - | - | (93,959) |
| Community services | 37,573 | 26,950 | - | - | (10,623) |
| Interest | 7,032 | - | - | - | (7,032) |
| Total governmental activities | \$ 3,505,260 | \$ 26,950 | \$ 210,851 | \$ 260,078 | (3,007,381) |
| | | General revenues: | | | |
| | | State passed through local school district | | | 2,688,936 |
| | | Other revenues | | | 322,079 |
| | | Total general revenues | | | 3,011,015 |
| | | Change in net position | | | 3,634 |
| | | Net position at July 1, 2019 | | | 320,325 |
| | | Net position at June 30, 2020 | | | \$ 323,959 |

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

Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

| | General Fund | Special Revenue Fund | Capital Outlay Fund | Total Governmental Funds |
|--|-----------------|-------------------------|------------------------|--------------------------------|
| ASSETS | | | | |
| Cash | \$ 384,585 | \$ - | \$ - | \$ 384,585 |
| Accounts receivable | 2,383 | - | - | 2,383 |
| Due from local school district | 19,280 | - | - | 19,280 |
| Prepaid items | 12,579 | - | - | 12,579 |
| Deposits | 22,965 | - | - | 22,965 |
| Total assets | \$ 441,792 | \$ - | \$ - | \$ 441,792 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 50,405 | \$ - | \$ - | \$ 50,405 |
| Accrued payroll and other expenses | 12,913 | - | - | 12,913 |
| Due to other schools | 46,250 | - | - | 46,250 |
| Due to management company | 135,350 | - | - | 135,350 |
| Total liabilities | 244,918 | - | - | 244,918 |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Prepaid expenditures | 12,579 | - | - | 12,579 |
| Deposits | 22,965 | - | - | 22,965 |
| Committed: | | | | |
| Capital renovations | 166,000 | - | - | 166,000 |
| Unassigned | (4,670) | - | - | (4,670) |
| Total fund balances | 196,874 | - | - | 196,874 |
| Total liabilities and fund balances | \$ 441,792 | \$ - | \$ - | \$ 441,792 |

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

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

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

June 30, 2020

| | | |
|--|---------------|--------------------------|
| Fund balances - total governmental funds | | \$ 196,874 |
| <p>The net assets reported for governmental activities in the statement of net assets is different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:</p> | | |
| Furniture, fixtures and equipment, net of \$185,467 accumulated depreciation | \$ 25,213 | |
| Improvements other than buildings, net of \$65,443 accumulated depreciation | 180,241 | |
| Computer software, net of \$15,251 accumulated depreciation | 90 | |
| Audio visual equipment, net of \$9,789 accumulated depreciation | 9,165 | |
| IT equipment, net of \$696,932 accumulated depreciation | <u>32,141</u> | |
| Total capital assets | | 246,850 |
| <p>Liabilities that are not due and payable in the current period are not reported in the general fund</p> | | |
| Loan payable | | <u>(119,765)</u> |
| Total net position of governmental activities | | <u><u>\$ 323,959</u></u> |

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

Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)

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

Year Ended June 30, 2020

| | General Fund | Special Revenue Fund | Capital Outlay Fund | Total Governmental Funds |
|--|-----------------|----------------------------|------------------------|--------------------------------|
| Revenues | | | | |
| Federal passed through state | \$ - | \$ 136,348 | \$ - | \$ 136,348 |
| State passed through local school district | 2,734,843 | - | 260,078 | 2,994,921 |
| Other revenues | 377,625 | - | - | 377,625 |
| Total revenues | 3,112,468 | 136,348 | 260,078 | 3,508,894 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 1,343,294 | 136,348 | - | 1,479,642 |
| Other pupil services | 72,291 | - | - | 72,291 |
| Staff development | 34,194 | - | - | 34,194 |
| Instruction related technology | 60,176 | - | - | 60,176 |
| Board of directors | 28,958 | - | - | 28,958 |
| School administration | 434,523 | - | - | 434,523 |
| Fiscal services | 18,150 | - | - | 18,150 |
| Food services | 498 | - | - | 498 |
| Central services | 5,762 | - | - | 5,762 |
| Transportation | 171,207 | - | - | 171,207 |
| Operation of plant | 720,764 | - | 260,078 | 980,842 |
| Maintenance of plant | 93,959 | - | - | 93,959 |
| Community services | 37,573 | - | - | 37,573 |
| Capital outlay | 38,522 | - | - | 38,522 |
| Debt service: | | | | |
| Principal | 33,987 | - | - | 33,987 |
| Interest | 7,032 | - | - | 7,032 |
| Total expenditures | 3,100,890 | 136,348 | 260,078 | 3,497,316 |
| Net change in fund balances | 11,578 | - | - | 11,578 |
| Fund balances at July 1, 2019 | 185,296 | - | - | 185,296 |
| Fund balances at June 30, 2020 | \$ 196,874 | \$ - | \$ - | \$ 196,874 |

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

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

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

Year Ended June 30, 2020

| | | |
|--|-----------------|---------------------|
| Net change in fund balances - total government funds | \$ | 11,578 |
| The change in net assets 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. | | |
| Capital outlay additions | \$ 38,522 | |
| Depreciation | <u>(94,897)</u> | (56,375) |
| Total capital assets | | |
| In the statement of activities, cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. | | |
| | | 14,444 |
| The issuance of long-term debt (e.g., loan payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. These amounts are the net effect of these differences in the treatment of long-term debt and related items: | | |
| Principal payments on long-term debt | | <u>33,987</u> |
| Change in net position of governmental activities | \$ | <u><u>3,634</u></u> |

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

Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND

June 30, 2020

| | ASSETS | <u>Internal Fund</u> |
|-------------------|--------------------|-------------------------|
| Cash | | <u>\$ 30,150</u> |
| Total assets | | <u><u>\$ 30,150</u></u> |
| | LIABILITIES | |
| Due to students | | <u>\$ 30,150</u> |
| Total liabilities | | <u><u>\$ 30,150</u></u> |

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

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Canoe Creek Charter Academy (the "School") is a division of The Foundation for Osceola Education, Inc. (the "Charterholder"), which is a component unit of the School Board of Osceola County, Florida, a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors (the "Board"), which is composed of twenty-three members. The financial information presented is that of Canoe Creek Charter Academy only. The School's entire workforce is provided by the management company; therefore, all employee benefits are provided by the management company.

The general operating authority of Canoe Creek Charter Academy is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is The School District of Osceola County, Florida (the "District"). The current charter is for a term of ten school years commencing with the 2011 - 2012 school year. The charter may be renewed as provided in Section 1002.33, Florida Statutes, upon mutual consent of the parties and execution of a written renewal. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a division of the Charterholder.

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 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 typically presented in the statement of net position, are subdivided into three categories: amounts invested in capital assets; restricted net assets; and unrestricted net assets. Net assets are 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, 2020, there were \$166,000 of net assets classified as restricted in the statement of net position for future capital renovations.

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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

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. Three of the School's funds were deemed to be 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 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 and expenditures related to compensated absences are recorded as expenditures only when payment is due.

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States 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 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 10.

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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

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.

Special Revenue Fund – to account for the proceeds of specific revenue sources restricted or committed to the expenditures for a specific purpose, including all federal grant revenues passed through the School District (i.e., Title I and Title IV).

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.

Additionally, the School reports the following fiduciary fund type:

Agency Fund - to account for resources of the School's internal funds which are used to administer money collected in connection with school, student, athletic, class, and club activities.

4. Cash

Cash consists of cash on hand at the School and checking accounts held at a financial institution. The School has no cash equivalents. The School has committed cash of \$166,000, which is for the future capital renovations.

5. Receivables

Receivables consist of amounts due from other agencies, and the local school district at June 30, 2020. The School's management determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

6. Interfund receivables and payables

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds.

7. 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 \$750 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at 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 (years)</u> |
|-----------------------------------|---|
| Furniture, fixtures and equipment | 5 - 7 |
| Improvements other than buildings | 5 |
| IT equipment | 3 |
| Computer software | 3 |
| Audio visual equipment | 5 - 7 |

8. Prepaid items

Payment made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items in both the government-wide and fund financial statements.

9. Compensated absences

The School's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

9. Compensated absences (continued)

The liability for compensated absences includes salary-related benefits, where applicable. Payments for compensated absences are generally paid out of the general fund.

10. 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.

11. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District to the Charterholder and then 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 (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

At times, the School receives awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These 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.

12. Income taxes

The School is a charter school under the Foundation for Osceola Education, Inc., which qualifies as a tax-exempt organization, and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

13. Use of estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles 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.

14. Recent GASB pronouncements

The GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for the identification of fiduciary activities and provides guidance on reporting those activities. An activity meeting the criteria should be reported in a fiduciary fund. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The new guidance is effective for fiscal 2021.

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

The School is evaluating the effect of these new standards on its financial statements.

NOTE B - 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, 2020, the School's cash was fully insured. The School's deposits are part of the Qualified Public Deposit program and are insured for more than the \$250,000 FDIC limit.

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE C - CAPITAL ASSETS

Changes in capital assets were as follows for the year ended June 30, 2020:

| | Balance at July 1, 2019 | Additions | Deletions | Balance at June 30, 2020 |
|--|-------------------------------|------------------|-------------|--------------------------------|
| Capital assets depreciated: | | | | |
| Furniture, fixtures and equipment | \$ 200,218 | \$ 10,462 | \$ - | \$ 210,680 |
| Improvements other than building | 238,704 | 6,980 | - | 245,684 |
| IT equipment | 715,962 | 13,111 | - | 729,073 |
| Computer software | 15,611 | 7,969 | - | 23,580 |
| Audio visual equipment | 10,985 | - | - | 10,985 |
| Total assets depreciated | <u>1,181,480</u> | <u>\$ 38,522</u> | <u>\$ -</u> | <u>1,220,002</u> |
| Less accumulated depreciation: | | | | |
| Furniture, fixtures and equipment | 171,453 | \$ 14,014 | \$ - | 185,467 |
| Improvements other than building | 40,991 | 24,452 | - | 65,443 |
| IT equipment | 643,174 | 53,758 | - | 696,932 |
| Computer software | 7,386 | 2,403 | - | 9,789 |
| Audio visual equipment | 15,251 | 270 | - | 15,521 |
| Total accumulated depreciation | <u>878,255</u> | <u>\$ 94,897</u> | <u>\$ -</u> | <u>973,152</u> |
| Total governmental activities capital assets, net | <u>\$ 303,225</u> | | | <u>\$ 246,850</u> |

Depreciation expense of \$94,897 was charged to school administration for the year ended June 30, 2020. Certain prior year capital asset balances have been reclassified to conform to current year presentation. The reclassification had no impact on total assets, total accumulated depreciation or total capital assets, net.

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE D - CONCENTRATIONS

Revenue sources

As stated in Note A-10, 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:

| Sources | Amounts |
|--|----------------------------|
| School District of Osceola County: | |
| Base funding | \$ 1,748,127 |
| Discretionary millage | 89,200 |
| Discretionary lottery | 379 |
| ESE guaranteed allocation | 57,416 |
| Supplemental academic instruction | 83,897 |
| Class size reduction funds | 457,239 |
| Discretionary local effort WFTE | 121,245 |
| Safe schools | 20,201 |
| Digital classroom allocation | 1,633 |
| Reading allocation | 16,425 |
| Mental health assistance allocation | 9,726 |
| Total funds compression allocation | 26,084 |
| Student transportation | 47,206 |
| Instructional materials allocation | 30,730 |
| Best and Brightest | 38,737 |
| Prior year funding adjustment | (15,165) |
| Proration to funds available | <u>(5,407)</u> |
| Subtotal | 2,727,673 |
| Capital outlay | 241,253 |
| Local capital improvement revenue | 18,825 |
| Title grants | 136,348 |
| Florida teacher lead program | <u>7,170</u> |
| Total from the School District of Osceola County | 3,131,269 |
| Other revenue: | |
| Pre-school | 97,612 |
| Community service fees | 26,950 |
| E-rate revenue | 28,596 |
| Other revenues | <u>224,467</u> |
| | <u><u>\$ 3,508,894</u></u> |

The administrations fee paid to the District during the year ended June 30, 2020 totaled approximately \$89,834 and is reflected as a general administration expense/expenditure in the accompanying financial statements.

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Management service contract

The School entered into a management agreement, commencing on July 1, 2009, with a management company (the "Company"). The original agreement was for a term of four years commencing with the 2009-2010 school year. The term of the agreement has been extended to June 30, 2021, but has ended on June 30, 2020 due to the School having control being converted to the Osceola County School District.

The Company will manage and operate the School during the term of the agreement. The management fee shall be paid consistent with the approved annual budget and the scheduled fees per contract. The fee is subject to a yearly adjustment based on the percentage change of the state funding per student allocation from the previous school year's allocation. For the year ended June 30, 2020 the Company did not receive a fee, and the Company contributed \$217,104 to the School.

2. Facilities sub-lease

The real property, buildings, equipment, and other assets which comprise the School facilities, are owned by the Charterholder. Construction of the buildings was financed by the issuance of \$9,675,000 Series 2002A and \$185,000 Series 2002B Industrial Development Revenue Bonds, which are obligations of the Charterholder.

In March 2016, the Charterholder issued \$4,765,000 principal amount of Industrial Development Revenue Financing Bonds, Series 2016A, and \$2,325,000 principal amount of Taxable Industrial Development Revenue Financing Bonds, Series 2016B. The proceeds were used to refund the outstanding Series 2002 bonds. The Series 2016 bonds were issued to reduce the basic lease payments due under the lease and mature in August 2032 (Series 2016A) and August 2022 (Series 2016B).

The School is entitled to use the facilities under a sub-lease agreement with the Charterholder that requires annual payments in amounts equal to the annual debt service payments on the bonds. Such annual payments range from \$490,375 to \$573,605, which includes principal and interest. At the end of the term of the charter including renewals, if any, possession of the School facilities will revert to the Charterholder, which will be liable for all future payments.

During the year ended June 30, 2020 a total facility use fee of \$536,804 was paid. Portions of the facility use fee of \$260,078 were reimbursed through capital outlay funds.

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE E - COMMITMENTS AND CONTINGENCIES (Continued)

Aggregate remaining rental commitments for years subsequent to June 30, 2020 under this sub-lease agreement are summarized as follows:

| | | | |
|-----------|----|--------------|--|
| 2021 | \$ | 558,893 | |
| 2022 | | 557,703 | |
| 2023 | | 555,519 | |
| 2024 | | 571,738 | |
| 2025 | | 571,375 | |
| 2026-2030 | | 2,859,988 | |
| 2031-2033 | | 1,712,688 | |
| | | \$ 7,387,904 | |

NOTE F - LONG-TERM DEBT

The following is a summary of changes in long-term obligations of the School for the year ended June 30, 2020:

| | Long-term Obligations at July 1, 2019 | Additions | Reductions | Long-term Obligations at June 30, 2020 | Amount Due in 1 Year |
|-----------------------------|--|------------------|--------------------|---|-------------------------------------|
| Charter School Capital Loan | \$ 153,751 | \$ - | \$ (33,986) | \$ 119,765 | \$ 35,769 |
| Accrued compensation | 14,442 | | (14,442) | - | - |
| Total | \$ 168,193 | \$ - | \$ (48,428) | \$ 119,765 | \$ 35,769 |

The Charterholder entered into a loan to finance the remainder of the purchase of the chiller unit for the school. The interest rate on the loan is 5% and the monthly payments \$3,418 for 60 months. The annual requirements to amortize all debt outstanding as of June 30, 2020 are as follows:

| Years ending June 30 | Principal | Interest | Total |
|-------------------------|------------|-----------|------------|
| 2021 | \$ 35,769 | \$ 5,250 | \$ 41,019 |
| 2022 | 37,625 | 3,394 | 41,019 |
| 2023 | 39,577 | 1,442 | 41,019 |
| 2024 | 6,794 | 43 | 6,837 |
| | \$ 119,765 | \$ 10,129 | \$ 129,894 |

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE G - RELATED PARTIES

A management company is responsible for organizing, developing, managing, staffing, and operating the School. During the current year, the management company charged fees to the School for management services described in Note E-1. The amount due to the management company also reflects activity for operating advances and invoices for certain expenses paid on behalf of the School. If at the end of the year, after payment of debt services and operating expenses, there are not sufficient cash flows to pay the advances, the management company shall adjust the budget accordingly. As of June 30, 2020, the School's balance sheet reflects a payable due to the management company in the amount of \$135,350. The due to/(from) management company activity consists of the following for the year ended June 30, 2020:

| | Management fees | Contributions | Operating expenses | Due to Management Company |
|--------------------------|--------------------|---------------------|-----------------------|---------------------------------|
| Balance at July 1, 2019 | \$ - | \$ - | \$ 252,785 | \$ 252,785 |
| Invoiced | - | (217,104) | 557,606 | 340,502 |
| Payments | - | - | (457,937) | (457,937) |
| Balance at June 30, 2020 | <u>\$ -</u> | <u>\$ (217,104)</u> | <u>\$ 352,454</u> | <u>\$ 135,350</u> |

NOTE H - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, general liabilities, and natural disasters for which the School carries commercial insurance. Under the plan for property insurance, the School's liability is \$25,000 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2020. Settled claims resulting from risks described above have not exceeded the insurance coverage during the previous three years.

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE I - 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 21, 2020 which is the date the financial statements were available to be issued.

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

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

On July 1, 2020, the School converted to a public school under the control of the Osceola County School District. The Osceola County School District took control of all the assets and assumed all the liabilities related to the School as of June 30.

REQUIRED SUPPLEMENTAL INFORMATION

Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)

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

Year Ended June 30, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|--------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenue | | | | |
| State passed through local school district | \$ 2,855,088 | \$ 2,803,706 | \$ 2,734,843 | \$ (68,863) |
| Other revenues | 397,506 | 149,433 | 377,625 | 228,192 |
| Gross school revenue | <u>3,252,594</u> | <u>2,953,139</u> | <u>3,112,468</u> | <u>159,329</u> |
| Expenditures | | | | |
| Basic Instruction | 1,296,691 | 1,205,910 | 1,343,294 | (137,384) |
| Exeptional Instruction | 92,075 | 105,023 | - | 105,023 |
| Other pupil services | 107,912 | 100,818 | 72,291 | 28,527 |
| Staff development | 18,824 | 21,641 | 34,194 | (12,553) |
| Instruction related technology | 71,098 | 74,331 | 60,176 | 14,155 |
| Board of directors | 19,730 | 25,479 | 28,958 | (3,479) |
| School administration | 450,956 | 429,542 | 434,523 | (4,981) |
| Fiscal services | 148,039 | 5,264 | 18,150 | (12,886) |
| Food services | 86 | 487 | 498 | (11) |
| Central services | - | - | 5,762 | (5,762) |
| Transportation | 161,599 | 221,626 | 171,207 | 50,419 |
| Operation of plant | 781,046 | 820,505 | 720,764 | 99,741 |
| Maintenance of plant | 119,699 | 98,472 | 93,959 | 4,513 |
| Community services | 39,094 | 28,848 | 37,573 | (8,725) |
| Capital outlay | 58,317 | 54,536 | 38,522 | 16,014 |
| Debt service: | | | | |
| Principal | 33,986 | 33,986 | 33,987 | (1) |
| Interest | 7,033 | 7,033 | 7,032 | 1 |
| Total expenditures | <u>3,406,185</u> | <u>3,233,501</u> | <u>3,100,890</u> | <u>132,611</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(153,591)</u> | <u>(280,362)</u> | <u>11,578</u> | <u>291,940</u> |
| Fund balance at July 1, 2019 | <u>185,296</u> | <u>185,296</u> | <u>185,296</u> | <u>-</u> |
| Fund balance at June 30, 2020 | <u>\$ 31,705</u> | <u>\$ (95,066)</u> | <u>\$ 196,874</u> | <u>\$ 291,940</u> |

See accompanying note to required supplemental information.

Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)

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

Year Ended June 30, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|-------------------------------|-------------------------|----------------|----------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenue | | | | |
| Federal passed through state | \$ 137,212 | \$ 128,164 | \$ 136,348 | \$ 8,184 |
| Gross school revenue | <u>137,212</u> | <u>128,164</u> | <u>136,348</u> | <u>8,184</u> |
| Expenditures | | | | |
| Instruction | <u>137,212</u> | <u>128,164</u> | <u>136,348</u> | <u>(8,184)</u> |
| Total expenditures | <u>137,212</u> | <u>128,164</u> | <u>136,348</u> | <u>(8,184)</u> |
| Net change in fund balances | - | - | - | - |
| Fund balance at July 1, 2019 | - | - | - | - |
| Fund balance at June 30, 2020 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See accompanying note to required supplemental information.

**Canoe Creek Charter Academy
(A division of the Foundation for Osceola Education, Inc.)**

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2020

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

Annual budgets are adopted for the entire operation and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2020, 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

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

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

To the Board of Directors
The Foundation for Osceola Education, Inc.
Kissimmee, 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 Canoe Creek Charter Academy, a division of the Foundation for Osceola Education, Inc. (the "Charterholder"), which is a component unit of the School District of Osceola County, Florida as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Canoe Creek Charter Academy's basic financial statements, and have issued our report thereon dated September 21, 2020.

501 S. New York Ave.
Suite 100
Winter Park, FL 32789
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Internal Control Over Financial Reporting

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

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

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

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Accountants**

**Florida Institute of
Certified Public
Accountants**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Canoe Creek Charter Academy'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 21, 2020



Partners

W. Ed Moss, Jr.
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Florida Institute of
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MANAGEMENT LETTER

To the Board of Directors
The Foundation for Osceola Education, Inc.
Kissimmee, Florida

Report on the Financial Statements

We have audited the financial statements of Canoe Creek Charter Academy (the "School"), a division of the Foundation for Osceola Education, Inc. (the "Charterholder"), which is a component unit of the School District of Osceola County, Florida as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated September 21, 2020.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent 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 schedules, which are dated September 21, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1, Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, the School did not have prior year findings.

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 the school code assigned by the Florida Department of Education of the entity are *Canoe Creek Charter Academy 0916*, which is a division of The Foundation for Osceola Education, Inc., which is a component unit of the School District of Osceola County.

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 condition(s) described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit,

we determined that Canoe Creek Charter Academy did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, The Florida Auditor General, Federal and other granting agencies, Canoe Creek Charter Academy's management, The Foundation for Osceola Education, Inc., 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
September 21, 2020

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

For the year ended June 30, 2020, there are no management recommendations.