
GLADES ACADEMY, INC.
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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CERTIFIED PUBLIC ACCOUNTANT

GLADES ACADEMY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of Glades Academy, Inc.
Pahokee, Florida

I have audited the accompanying Financial Statements of the governmental activities, and each major fund, of Glades Academy, Inc. ("the Academy") (a nonprofit organization) as of and for the year ended June 30, 2017, which collectively comprise the Academy's basic financial statements as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Management of the Academy. My responsibility is to express an opinion on these financial statements based on my audit.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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, I 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.

I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

To the Board Members of Glades Academy, Inc.
Pahokee, Florida
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Opinion

In my opinion, the financial statements referred to above and the Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (GAAP Basis) and Actual-All Governmental Fund Types present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the Academy as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 27, 2017, on my consideration of the Academy's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Other Matters

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on pages 3 through 6 and 13 are presented to supplement the basic financial statements. Such information although not part of the basic financial statements, is required by the Governmental Accounting Standard 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. I 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. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Mark E. Coffey, P.A.

Palm Beach Gardens, Florida
September 27, 2017

GLADES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Our discussion and analysis of the Glades Academy, Inc.'s ("the Academy") financial program provides an overview of the Academy's financial activities for the year ended June 30, 2017.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with the Academy's financial statements, which begin on page 7.

For financial statement purposes the Academy is not considered a component unit of the School District of Palm Beach County, which is a primary government entity for financial reporting. The Academy has included separate statements for the Governmental Fund (General Fund) Balance Sheet and the statement of Revenue, Expenditures and Changes in Fund Balance. The Statement of Net Position and the Statement of Activities report provide information on the activities of the Academy. The Fund Financial Statements reflect financing activities of the Academy by providing information on inflows and outflows of spendable resources.

NON FINANCIAL HIGHLIGHTS

The Academy's daily enrollment for fiscal year ended June 30, 2017, was 263 students. This was approximately the same as budgeted. The Academy expects to have an enrollment of 270 students for the academic year 2017-2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Academy's financial position. Included in these statements are all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are recorded when earned or incurred.

The Statement of Net Position presents information on all of the Academy'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 Academy is improving or deteriorating.

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

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.

GLADES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd.)

Fund Financial Statements (Cont'd.)

Governmental Funds – All of the Academy's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Academy's governmental activities and the basic services it provides.

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 14-21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Academy's financial position. The Academy's assets exceeded liabilities by \$876,344 at June 30, 2017.

NET ASSETS

| | <u>JUNE 30, 2017</u> | <u>JUNE 30, 2016</u> |
|------------------------------|-----------------------------|-----------------------------|
| Current and other Assets | \$ 664,723 | \$ 304,452 |
| Capital Assets | 267,633 | 293,548 |
| Total Assets | \$ 932,356 | \$ 598,000 |
| Other Liabilities | 56,012 | 8,790 |
| Total Liabilities | \$ 56,012 | \$ 8,790 |
| Investment in Capital Assets | \$ 267,633 | \$ 293,548 |
| Unrestricted | 608,711 | 295,662 |
| Total Net Position | \$ 876,344 | \$ 589,210 |

Revenues from governmental activities totaled \$2,016,373 for the year ended June 30, 2017. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue represented approximately 95.3% of total revenue.

GLADES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd.)

| <u>Revenue Source</u> | <u>6/30/17</u> | <u>% of Total</u> <u>6/30/17</u> | <u>6/30/16</u> | <u>% of Total</u> <u>6/30/16</u> |
|-----------------------|---------------------|-------------------------------------|---------------------|-------------------------------------|
| State Sources | \$ 1,923,842 | 67.7 | \$ 1,478,029 | 76.8 |
| Local Sources | 822,967 | 29.0 | 326,901 | 17.0 |
| Federal Sources | 92,531 | 3.3 | 119,518 | 6.2 |
| Total | \$ 2,839,340 | 100.0 | \$ 1,924,448 | 100.0 |

Federal revenue sources are Title I and IDEA Grants. Increases in levels of expenses for major functions of the Academy are shown in the following table:

| <u>Expense</u> | <u>6/30/17</u> | <u>% of Total</u> <u>6/30/17</u> | <u>6/30/16</u> | <u>% of Total</u> <u>6/30/16</u> |
|------------------------------|---------------------|-------------------------------------|---------------------|-------------------------------------|
| Instruction | \$ 874,433 | 34.3 | \$ 664,555 | 41.1 |
| Pupil Personnel Services | 114,049 | 4.5 | 18,172 | 1.1 |
| Curriculum Development | - | - | 14,233 | .9 |
| Instructional Staff Training | - | - | 24,010 | 1.5 |
| Board Services | 8,623 | .3 | 9,931 | .6 |
| General Administration | 91,490 | 3.6 | 71,718 | 4.4 |
| School Administration | 232,159 | 9.1 | 358,442 | 22.2 |
| Facilities Acquisition | 13,741 | .5 | 30,000 | 1.9 |
| Fiscal Services | 53,463 | 2.1 | 48,555 | 3.0 |
| Food Services | 16,486 | .6 | 28,398 | 1.8 |
| Pupil Transportation | 115,494 | 4.5 | 139,286 | 8.6 |
| Operation of Plant | 144,640 | 5.7 | 163,644 | 10.1 |
| Maintenance of Plant | 46,282 | 1.8 | 15,186 | .9 |
| Community Services | 806,690 | 31.6 | - | - |
| Depreciation | 34,656 | 1.4 | 30,287 | 1.9 |
| Total | \$ 2,552,206 | 100.0 | \$ 1,616,417 | 100.0 |

BUDGETARY HIGHLIGHTS

Revenue from Federal and State Sources was approximately the same as budgeted.

Total expenditures were \$184,387 less than budgeted, primarily because of savings in instruction, pupil personnel services, and operation of plant.

Total fund balance of the General Fund was \$608,711 at June 30, 2017.

GLADES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

CAPITAL ASSETS

The Academy's investment in capital assets at June 30, 2017 was \$267,633 (net of Depreciation). The investment includes leasehold improvements and furniture and fixtures and equipment. The following is a summary of capital assets balances at June 30, 2017:

| | |
|------------------------------------|--------------------------|
| Leasehold Improvements | \$ 6,536 |
| Furniture and Fixtures & Equipment | 54,903 |
| Motor Vehicles | 299,805 |
| | <u>361,244</u> |
| Less Accumulated Depreciation | 93,611 |
| | <u><u>\$ 267,633</u></u> |

PROSPECTS FOR THE FUTURE

The Academy continues to receive funds from State sources in the form of Florida Education Finance Program Fees (FEFP). The fees are evaluated in October and February and are based on student enrollment.

- The Administration believes that the Academy will achieve a higher rating from the Department of Education.
- The Academy should achieve its budgeted amount of 270 students for the 2017-2018 academic year.
- The Administration believes that the Academy will continue to be successful and contribute to the educational requirements of Western Palm Beach County.

REQUESTS FOR INFORMATION

The Management Discussion and Analysis provides a general overview of the finances of the Academy. Requests for additional information should be addressed to Linda Barnes, Administrative Assistant, 7368 State Road 15, Bldg. E, Pahokee, Florida 33476.

GLADES ACADEMY, INC.
Governmental Fund (General Fund) Balance Sheet
June 30, 2017

| | <u>Governmental Funds</u> |
|---|-------------------------------|
| ASSETS | |
| Cash | \$643,430 |
| Grant Receivable | 10,838 |
| Inventory | 6,207 |
| Prepayments | 3,248 |
| Deposits | 1,000 |
| Total Assets | <u><u>\$664,723</u></u> |
| LIABILITIES | |
| Accrued Salaries | 46,884 |
| Accounts Payable | 9,128 |
| Total Liabilities | <u>56,012</u> |
| FUND BALANCE | |
| Nonspendable | 9,455 |
| Unassigned | 599,256 |
| | <u>608,711</u> |
| Total Liabilities and Fund Balance | <u><u>\$664,723</u></u> |

The accompanying notes are an integral part of this statement

GLADES ACADEMY, INC.
STATEMENT OF NET POSITION
For the Year ended June 30, 2017

| ASSETS | Account Number | Primary Government | | Total |
|---|----------------|-------------------------|--------------------------|----------|
| | | Governmental Activities | Business-type Activities | |
| Cash and Cash Equivalents | 1110 | 643,430 | | 643,430 |
| Accounts Receivable, Net | 1130 | 10,838 | | 10,838 |
| Restricted Assets: | | | | |
| Inventory | 1150 | 1,000 | | 1,000 |
| Deposits | 1150 | 6,207 | | 6,207 |
| Deferred Charges: | | | | |
| Prepaid Items | 1230 | 3,248 | | 3,248 |
| | | | | |
| Capital Assets: | | | | |
| Buildings | 1320 | 6,536 | | 6,536 |
| Less Accumulated Depreciation | 1329 | (2,971) | | (2,971) |
| Furniture, Fixtures and equipment | 1340 | 54,903 | | 54,903 |
| Less Accumulated Depreciation | 1349 | (40,467) | | (40,467) |
| Motor Vehicles | 1350 | 299,805 | | 299,805 |
| Less Accumulated Depreciation | 1359 | (50,173) | | (50,173) |
| Computer Software | 1382 | | | |
| Less Accumulated Depreciation | 1389 | | | |
| Total Assets | | 932,356 | | 932,356 |
| | | | | |
| LIABILITIES | | | | |
| Salaries and Wages Payable | 2110 | 46,884 | | 46,884 |
| Payroll Deductions and Withholdings | 2170 | | | |
| Accounts Payable | 2120 | 9,128 | | 9,128 |
| Noncurrent Liabilities: | | | | |
| Portion Due Within One Year: | | | | |
| Bonds Payable | 2320 | | | |
| Total Liabilities | | 56,012 | | 56,012 |
| | | | | |
| NET POSITION | | | | |
| Invested in Capital Assets, Net of Related Debt | | 267,633 | | 267,633 |
| Restricted For: | | | | |
| Categorical Carryover Programs | 2710 | | | |
| Debt Service | 2750 | | | |
| Unrestricted | | 608,711 | | 608,711 |
| Total Net Position | | 876,344 | | 876,344 |

The accompanying notes are an integral part of this statement

GLADES ACADEMY, INC.
Reconciliation of the Governmental Fund (General Fund)
Balance Sheet To The Statement of Net Position
June 30, 2017

| | | |
|---|-----------------|-------------------------|
| Fund Balance- Governmental Funds | | \$608,711 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds | | |
| Governmental capital assets | \$361,244 | |
| Less accumulated depreciation | <u>(93,611)</u> | |
| | | <u>267,633</u> |
| Net Position of Governmental activities | | <u><u>\$876,344</u></u> |

The accompanying notes are an integral part of this statement

GLADES ACADEMY, INC.
Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances
Year Ended June 30, 2017

| | Governmental Funds | Special Revenue | Total |
|--|-----------------------|--------------------|------------------|
| EXPENSES | | | |
| Instruction | \$832,800 | \$41,633 | \$874,433 |
| Pupil Personnel Services | 63,893 | 50,156 | 114,049 |
| Board Services | 8,623 | | 8,623 |
| General Administration | 91,490 | | 91,490 |
| School Administration | 240,158 | | 240,158 |
| Facilities acquisition | 53,463 | | 53,463 |
| Fiscal Services | 13,741 | | 13,741 |
| Food Services | 16,486 | | 16,486 |
| Pupil Transportation | 115,494 | 742 | 116,236 |
| Operation of Plant | 144,640 | | 144,640 |
| Maintenance of Plant | 46,282 | | 46,282 |
| Community Services | 602 | | 602 |
| TOTAL EXPENSES | 1,627,672 | 92,531 | 1,720,203 |
| PROGRAM REVENUES | | | |
| Florida Education Finance Program (FEFP) | 1,921,592 | | 1,921,592 |
| Total program revenues | 1,921,592 | - | 1,921,592 |
| GENERAL REVENUES: | | | |
| Other federal sources | | 92,531 | 92,531 |
| Other state sources | 2,250 | | 2,250 |
| Other local sources | 16,879 | | 16,879 |
| Total general revenues | 19,129 | 92,531 | 111,660 |
| Excess of Revenues over expenses | 313,049 | | 313,049 |
| Other revenue/(expenses): | | | |
| Transfer of Property to school | 806,088 | | 806,088 |
| Transfer of Property from school | (806,088) | | (806,088) |
| Total other revenue/(expenses) | - | - | - |
| Fund Balance, Beginning of Year | 295,662 | | 295,662 |
| Fund Balance, End of Year | \$608,711 | - | \$608,711 |

The accompanying notes are an integral part of this statement

GLADES ACADEMY, INC.
STATEMENT OF ACTIVITIES
June 30, 2017

| FUNCTIONS | Account Number | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|--|----------------|-----------|----------------------|------------------------------------|----------------------------------|---|-------------|
| | | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Total |
| Governmental activities: | | | | | | | |
| Instruction | 5000 | \$874,433 | | 43,883 | | \$ (830,550) | (830,550) |
| Pupil Personnel Services | 6100 | 114,049 | | 50,156 | | (63,893) | (63,893) |
| Board | 7100 | 8,623 | | | | (8,623) | (8,623) |
| General Administration | 7200 | 91,490 | | | | (91,490) | (91,490) |
| School Administration | 7300 | 232,159 | | | | (232,159) | (232,159) |
| Facilities Acquisition and Construction | 7400 | 13,741 | | | | (13,741) | (13,741) |
| Fiscal Services | 7500 | 53,463 | | | | (53,463) | (53,463) |
| Food Services | 7600 | 16,486 | | | | (16,486) | (16,486) |
| Pupil Transportation Services | 7800 | 115,494 | | 742 | | (114,752) | (114,752) |
| Operation of Plant | 7900 | 144,640 | | | | (144,640) | (144,640) |
| Maintenance of Plant | 8100 | 46,282 | | | | (46,282) | (46,282) |
| Community Services | 9100 | 806,690 | | 806,088 | | (602) | (602) |
| Unallocated Depreciation Expense * | | 34,656 | | | | (34,656) | (34,656) |
| Total governmental activities | | 2,552,206 | | 900,869 | | (1,651,337) | (1,651,337) |

General Revenues:

Taxes:

Florida Education Finance Program (FEFP)

FEFP credits for more than 250 students

Grants and contributions not restricted to specific programs

Investment earnings

Total general revenues, special items, and transfers

Change in net position

Net position-beginning

Net position-ending

| | | |
|--|-----------|-----------|
| | 1,916,998 | 1,916,998 |
| | 4,594 | 4,594 |
| | 16,879 | 16,879 |
| | 3 | 3 |
| | 1,938,471 | 1,938,471 |
| | 287,134 | 287,134 |
| | 589,210 | 589,210 |
| | \$876,344 | \$876,344 |

* This amount excludes the depreciation that is included in direct expenses of the various functions.

The accompanying notes are an integral part of this statement

GLADES ACADEMY, INC.
**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Fund (General Fund) To The
Statement of Activities**
June 30, 2017

Net Changes in Fund Balances- Governmental Funds \$313,049

Amounts reported for governmental activities in the statement of net position are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

| | | |
|---|----------|-------------------------|
| Capital expenditures | 8,741 | |
| Less current year depreciation | (34,656) | |
| | | <u>(25,915)</u> |
| Change in Net Position of Governmental Activities | | <u><u>\$287,134</u></u> |

The accompanying notes are an integral part of this statement

GLADES ACADEMY, INC.
Statement of Revenues, Expenditures and Changes
In Fund Balance-Budget (GAAP Basis) and Actual
Governmental Fund Types
Year Ended June 30, 2017

| | Governmental Funds | | | Special Revenue | | | Original and Final Budget | Actual | Variance |
|---|---------------------------------|------------------|------------------|---------------------------------|---------------|-----------------|---------------------------------|------------------|------------------|
| | Original and Final Budget | Actual | Variance | Original and Final Budget | Actual | Variance | | | |
| EXPENDITURES: | | | | | | | | | |
| Instruction | \$900,498 | \$832,800 | \$67,698 | \$57,150 | \$41,633 | (\$15,517) | \$957,648 | \$874,433 | \$83,215 |
| Pupil personnel Services | 98,277 | 63,893 | 34,384 | 54,127 | 50,156 | (3,971) | 152,404 | 114,049 | 38,355 |
| Board Services | 11,954 | 8,623 | 3,331 | | | | 11,954 | 8,623 | 3,331 |
| General Administration | 91,586 | 91,490 | 96 | | | | 91,586 | 91,490 | 96 |
| School Administration | 242,931 | 240,158 | 2,773 | | | | 242,931 | 240,158 | 2,773 |
| Fiscal Services | 53,550 | 53,463 | 87 | | | | 53,550 | 53,463 | 87 |
| Facilities Acquisition | 13,750 | 13,741 | | | | | 13,750 | 13,741 | 9 |
| Food Services | 16,520 | 16,486 | 34 | | | | 16,520 | 16,486 | 34 |
| Pupil Transportation | 131,862 | 115,494 | 16,368 | | 742 | 742 | 131,862 | 116,236 | 15,626 |
| Operation of Plant | 164,235 | 144,640 | 19,595 | | | | 164,235 | 144,640 | 19,595 |
| Maintenance of Plant | 58,760 | 46,282 | 12,478 | | | | 58,760 | 46,282 | 12,478 |
| Community Services | 650 | 602 | 48 | | | | 650 | 602 | 48 |
| TOTAL EXPENDITURES | <u>1,784,573</u> | <u>1,627,672</u> | <u>156,892</u> | <u>111,277</u> | <u>92,531</u> | <u>(18,746)</u> | <u>1,895,850</u> | <u>1,720,203</u> | <u>175,647</u> |
| PROGRAM REVENUES: | | | | | | | | | |
| Florida Education Finance Program (FEFP) | 1,923,605 | 1,921,592 | (2,013) | | | | 1,923,605 | 1,921,592 | (2,013) |
| | <u>1,923,605</u> | <u>1,921,592</u> | <u>(2,013)</u> | | | | <u>1,923,605</u> | <u>1,921,592</u> | <u>(2,013)</u> |
| GENERAL REVENUES: | | | | | | | | | |
| Other federal sources | | | | 111,277 | 92,531 | (18,746) | 111,277 | 92,531 | (18,746) |
| Other state sources | | 2,250 | 2,250 | | | | | 2,250 | 2,250 |
| Other local sources | 12,300 | 16,879 | 4,579 | | | | 12,300 | 16,879 | 4,579 |
| | <u>12,300</u> | <u>19,129</u> | <u>6,829</u> | <u>111,277</u> | <u>92,531</u> | <u>(18,746)</u> | <u>123,577</u> | <u>111,660</u> | <u>(11,917)</u> |
| Excess of Revenues over expenditures | <u>\$151,332</u> | <u>313,049</u> | <u>\$161,708</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>\$151,332</u> | <u>\$313,049</u> | <u>\$161,717</u> |
| Other revenue/(expenses): | | | | | | | | | |
| Transfer of Property to school | | 806,088 | | | | | | 806,088 | |
| Transfer of Property from school | | (806,088) | | | | | | (806,088) | |
| Total other revenue/(expenses) | | <u>-</u> | | | | | | <u>-</u> | |
| Fund Balance, beginning of year | | <u>295,662</u> | | | | | | <u>\$295,662</u> | |
| Fund Balance, end of year | | <u>\$608,711</u> | | | <u>\$ -</u> | | | <u>\$608,711</u> | |

The accompanying notes are an integral part of this statement

GLADES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Glades Academy, Inc. (“the Academy”) was established as a nonprofit organization in August 2000 under the laws of the State of Florida and is the reporting entity. On July 25, 2013, the name of the Academy was changed to Glades Academy, Inc.

The Academy operates as a Charter School pursuant to a Charter School Contract (“the Contract”) with the School District of Palm Beach County, Florida (“the School District”). Under the Contract the Academy provides an education to children from Kindergarten through the fifth grade who reside in Western Palm Beach County in and around the City of Pahokee. For financial statement purposes the Academy is not considered a component unit of the School District of Palm Beach County, which is a primary government entity for financial reporting.

The School District of Palm Beach County received 5% of the Florida Education Finance Program (FEFP) revenue as an administrative fee.

The Contract is effective through June 2021. The Contract requires the School District to provide the Academy’s primary source of funding based upon the number of full-time equivalent students (FTES) registered at the Academy.

The Academy is a tax-exempt organization under 501(C)(3) of the Internal Revenue Code.

The Academy’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the Academy are discussed below.

Basic Financial Statements

The Academy’s basic financial statements are the Statements of Net Position Statement of Activities. All the activities of the Academy are classified as governmental type activities. There are no business type activities of the Academy. All the Academy’s governmental type activities are included in the general fund. There are no other major funds. In the Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The Academy’s net position are reported in three parts – invested in capital assets, net of related debt; restricted for categorical carryover programs, debts service, and unrestricted net position.

The Statement of Activities reports both the gross and net cost of each of the Academy’s functions. The functions are also supported by government revenues such as Florida Education Finance Program (FEFP), Capital Outlay Funds and Federal Grants. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and

GLADES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basic Financial Statements (cont'd.)

Capital grants. Program revenues must be directly associated with the function (after care and youth services, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Fund Financial Statements

Fund Financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds are reported as separate columns in the fund financial statements:

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

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

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounting and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The governmental type activities in the financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. When both restricted and unrestricted resources are available for use, it is the policy of the Academy to use restricted resources first, then unrestricted resources as they are needed.

Measurement Focus

The accounting and financial reporting treatment is determined by applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

GLADES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus (Cont'd.)

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet and operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net position.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financial uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles include the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that subject the Academy to concentrations of credit risk include cash. While the Academy attempts to limit its financial exposure, its deposit balances may at times exceed federally insured limits. The Academy has not experienced any losses on such balances.

Cash deposits are held at banks qualified as public depositories under Florida law.

GLADES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value Measurements

The Fair Value Measurements Topic of the FASB Accounting standards Codification defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements.

The Academy measures the fair value of assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability on the principal or most advantageous market in a orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Contributed Services and Facilities

The Academy does not recognize any support, revenue or expense from services contributed by individual volunteers since no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of time to the Academy's program services.

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year expenditures were controlled at the object level (i.e. salaries, purchased services, and capital outlay).

GLADES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|-----------------------------------|------------|
| Leasehold Improvements | 20 Years |
| Furniture, Fixtures and Equipment | 5-10 Years |
| Computer Equipment | 5 Years |

Revenue Sources

Revenues for operations are received primarily from the School District of Palm Beach County pursuant to the funding provisions included in the Academy's Charter. In accordance with the funding provisions of the Charter and Section 1002.33, Florida Statutes, the Academy will report the number of full-time equivalent (FTE) students and related data to the School District of Palm Beach County. Funding for the Academy is adjusted during the year to reflect the revised calculations by the Florida Department of Education under the Florida Educational Finance Program and the actual weighted full-time equivalent students reported by the Academy during the designated full-time equivalent student survey periods. In addition, the Academy receives an annual allocation of charter school capital outlay funds for leasing of school facility.

Fund Balance Classifications

GASB requires the fund balance amounts to be properly reported within one of the fund categories listed below:

- a) **Nonspendable** fund balance includes amounts that are not in a spendable form such as inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). There was a nonspendable fund balance at year end.
- b) **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. There was no restricted fund balance at year end.

**GLADES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Fund Balance Classifications (Cont'd.)

- c) **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision making authority. There was no committed fund balance at year end.
- d) **Assigned** fund balance includes amounts intended to be used by the Academy's Management for specific purposes but which does not meet the criteria to be classified as restricted or committed. There was an assigned fund balance at year end.
- e) **Unassigned** fund balance includes amounts that are available for any purpose. These amounts are reported only in the general fund. There was an unassigned fund balance at year end.

Order of Fund Balance Spending Policy

The Academy's policy is to apply expenditures against nonspendable fund balance, followed in order by restricted fund balance, committed fund balance, assigned fund balance, and lastly unassigned fund balance at the end of the fiscal year. The Board of Directors can deviate from this policy if it is in the best interest of the Academy.

NOTE 2 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 were as follows:

| | <u>Balance</u> <u>Beginning</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>Ending</u> |
|------------------------------------|------------------------------------|--------------------|------------------|---------------------------------|
| Leasehold Improvements | \$ 6,536 | \$ - | \$ - | \$ 6,536 |
| Furniture & Fixtures and Equipment | 46,162 | 8,741 | - | 54,903 |
| Motor Vehicles | 299,805 | - | - | 299,805 |
| | <u>352,502</u> | <u>8,741</u> | <u>-</u> | <u>361,244</u> |
| Less Accumulated Depreciation | 58,954 | 36,656 | - | 93,611 |
| NET CAPITAL ASSETS | <u>\$ 293,548</u> | <u>\$ (25,915)</u> | <u>\$ -</u> | <u>\$ 267,633</u> |

Depreciation expense of \$34,656 was unallocated during the year ended June 30, 2017.

**GLADES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 – RETIREMENT PLAN

The Academy has a Non-Contributory Defined Contribution Pension Plan covering all employees who meet certain eligibility requirements. As a result of the transfer of the payroll and human resources function to an employee leasing company, the employees’ pension contributions are to be made on a calendar year basis going forward. Under the Plan the Academy contributes 3% of an eligible employee’s salary. Contributions to the Plan for the year ended June 30, 2017 were \$5,466.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

Lease Agreement

The Academy leased its administrative and classroom facilities under a thirty-year non-cancelable operating lease that expires in June 2041. Annual rental expenses were approximately \$13,741 for the year ended June 30, 2017. Future minimum lease payments required under the lease are approximately as follows:

| | | |
|----------|-----------|---------------|
| June 30, | | |
| 2018 | \$ | 13,700 |
| 2019 | | 13,700 |
| 2020 | | 13,700 |
| 2021 | | 13,700 |
| 2022 | | 13,700 |
| | <u>\$</u> | <u>68,500</u> |

NOTE 5 – RELATED PARTY TRANSACTIONS

The Academy is run by a Board of Directors, all of whom are required to submit annual financial disclosures to the State of Florida. The Chairperson has a family relationship with one of the other Directors. The Board Members are volunteers and are not compensated by the Academy. There are no other related party transactions between the Board Members or entities related to the Board Members.

NOTE 6 – PROPERTY TRANSFER

During the year ended June 30, 2017, the Glades Academy Foundation, Inc. donated school property to the Academy which in a simultaneous transaction transferred the donated property to New Hope Charities, Inc. The value of the property transferred was \$806,088.

GLADES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Risk Management

The Academy is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Academy purchases commercial insurance for all material risks of loss to which the Academy is exposed, including general liability, property, auto, and workers compensation.

The Academy receives funding from the State of Florida based on the number of full time equivalent (FTE) students who attend the Charter School. The data is compiled by the Academy and is subject to audit by the State and if errors are found this could result in amounts having to be repaid to the State or decrease in future allocations. Management believes that the amounts that would have to be remitted back to the State due to errors in their FTE count would not be material to the financial position of the Academy. A review of the last seven years reveals that settled claims have not exceeded insurance coverage.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated events that occurred subsequent to the year end for potential recognition or disclosure in the financial statements, through the date on which the financial statements were available to be issued. The date when the financial statements were available to be issued was September 27, 2017. Management's evaluation did not reveal any subsequent events that would have a material effect on the financial statements.

Mark Escoffery, P.A.

Certified Public Accountant

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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 Members of Glades Academy, Inc.
Pahokee, Florida

I have audited the financial statements of Glades Academy, Inc., (“the Academy”) (a nonprofit organization) as of and for the year ended June 30, 2017, and have issued my report thereon dated September 27, 2017. I conducted my 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Academy’s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy’s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Academy’s internal control over financial reporting.

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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**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 (Continued)**

To the Board Members of Glades Academy, Inc.
Pahokee, Florida
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board Members, Management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mark E. Coffey, P.A.

Palm Beach Gardens, Florida
September 27, 2017

Mark Escoffery, P.A.

Certified Public Accountant

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MANAGEMENT LETTER

To the Board Members of Glades Academy, Inc.
Pahokee, Florida

Report on the Financial Statements

I have audited the financial statements of Glades Academy, Inc., Florida, as of and for the fiscal year ended June 30, 2017, and have issued my report thereon dated September 27, 2017.

Auditor's Responsibility

I conducted my 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 Reports and Schedules

I have issued my 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*.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General requires the name or official title of the entity. The official title of the entity is Glades Academy, Inc.

**MANAGEMENT LETTER
(Continued)**

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, require that I report the results of my determination as to whether or not Glades Academy, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with my audit, I determined that Glades Academy, Inc. 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, I applied financial condition assessment procedures for Glades Academy, Inc. It is management's responsibility to monitor Glades Academy, Inc.'s financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Financial assessments made did not indicate that the Academy's financial condition is deteriorating.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that I report the results of my determination as to whether Glades Academy, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with my audit, I determined that Glades Academy, Inc. did maintain on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that I 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 my audit, I did not have any such findings.

Purpose of this Letter

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

Mark Escoffery, P.A.
Palm Beach Gardens, Florida
September 27, 2017

Mark Escoffery, P.A.