
EVERGLADES PREPARATORY ACADEMY INC.

INDEPENDENT AUDITOR'S REPORT

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

MARK ESCOFFERY P.A.
CERTIFIED PUBLIC ACCOUNTANT

EVERGLADES PREPARATORY ACADEMY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of
Everglades Preparatory Academy, Inc.
360 E. Main Street, Bldg. "C"
Pahokee, Florida 33476

I have audited the accompanying Financial Statements of the governmental activities, and each major fund, of Everglades Preparatory Academy, Inc. ("the Academy") (a nonprofit organization) as of and for the year ended June 30, 2018, 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 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 and 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 I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

To The Board Members of
Everglades Preparatory Academy, Inc.
360 E. Main Street, Bldg. "C"
Pahokee, Florida 33476
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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, 2018, 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 19, 2018, 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

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Board. I have applied certain limited procedures, which consisted principally of inquiries of Management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Palm Beach Gardens, Florida
September 19, 2018

EVERGLADES PREPARATORY ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Our discussion and analysis of the Everglades Preparatory Academy, Inc.'s ("the Academy") financial program provides an overview of the Academy's financial activities for the year ended June 30, 2018.

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 Revenues, Expenditures and Changes in Fund Balances. 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, 2018 was 102 students. This was the same as budgeted. The Academy expects to have an enrollment of 120 students for the academic year 2018-2019.

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.

**EVERGLADES PREPARATORY ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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 15-21 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 \$986,310 at June 30, 2018.

NET ASSETS

	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
Current and other Assets	\$ 404,890	\$ 275,091
Capital Assets	601,331	643,216
Total Assets	\$ 1,006,221	\$ 918,307
Other Liabilities	20,011	17,887
Total Liabilities	\$ 20,011	\$ 17,887
Investment in Capital Assets	601,331	643,216
Unrestricted	384,879	257,204
Total Net Position	\$ 986,210	\$ 900,420

Revenues from governmental activities totaled \$740,837 for the year ended June 30, 2018. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue represented approximately 94.4% of total revenue.

EVERGLADES PREPARATORY ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd.)

<u>Revenue Source</u>	<u>% of Total</u>		<u>% of Total</u>	
	<u>6/30/18</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/17</u>
State Sources	\$ 725,716	70.3	\$ 720,310	76.3
Local Sources	283,212	27.4	210,762	22.4
Federal Sources	22,774	2.3	12,794	1.3
Total	\$ 1,031,702	100.0	\$ 943,866	100.0

Increases in levels of expenses for major functions of the Academy are shown in the following table:

<u>Expense</u>	<u>% of Total</u>		<u>% of Total</u>	
	<u>6/30/18</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/17</u>
Instruction	\$ 407,140	43.4	\$ 291,343	35.0
Pupil Personnel Services	20,364	2.2	13,322	1.6
Instruction & Curriculum Development	-	-	-	-
Board	15,587	1.7	16,004	1.9
General Administration	34,973	3.7	33,796	4.1
School Administration	208,411	22.2	206,621	24.8
Fiscal Services	31,065	3.3	32,608	3.9
Facilities Acquisition	36,685	3.9	31,675	3.8
Operation of Plant	80,097	8.5	95,543	11.5
Maintenance of Plant	10,599	1.1	7,456	.9
Pupil Transportation	16,692	1.8	20,910	2.5
Administrative Technology	3,075	.3	7,195	.9
Community Services	31,686	3.4	37,110	4.5
Depreciation	41,883	4.5	38,657	4.6
Total	\$ 938,257	100.0	\$ 832,240	100.0

BUDGETARY HIGHLIGHTS

Federal and state revenue were approximately the same as budgeted.

Local funds were more than budgeted because donations of \$56,000 were received, but not budgeted. Local capital development taxes in the amount of \$47,846 were budgeted and received during the year.

Total expenses were \$30,317 less than budget.

Total fund balance of the General Fund was \$384,879 at June 30, 2018.

EVERGLADES PREPARATORY ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

CAPITAL ASSETS

The Academy's investment in capital assets at June 30, 2018 was \$601,331 (net of depreciation). The investment includes building improvements, furniture, fixtures, computer equipment, and computer software. The following is a summary of capital assets balances at June 30, 2018:

Building Improvements	\$ 684,198
Furniture, Fixtures & Computer Equipment	264,112
Vehicles	106,003
Computer Software	11,867
	<hr/> 1,066,180
Less Accumulated Depreciation	464,849
	<hr/> <u>\$ 601,331</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.

- Administration believes that the Academy will receive an improved rating from the Department of Education based on test scores and academic achievement.
- The Academy Administration believes that higher test scores will continue to be achieved because of investments in computer based reading and tutorial programs.
- The Academy should surpass its budgeted amount of 120 students for the 2018-2019 school year.
- The Administration believes that the Academy will continue to progress and contribute to the educational needs 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 Earsley, Acting Principal, 360 E Main Street, Building "C", Pahokee, Florida 33476.

EVERGLADES PREPARATORY ACADEMY , INC.
Governmental Fund Balance Sheet
June 30, 2018

	<u>Governmental Funds</u>	<u>Capital Outlay</u>	Total
ASSETS			
Cash	\$304,712	\$64,017	\$368,729
Accounts Receivable		1,419	1,419
Prepaid Expenses	28,862		28,862
Deposits	5,880		5,880
Due from other funds		12,417	12,417
Total Assets	<u><u>\$339,454</u></u>	<u><u>\$77,853</u></u>	<u><u>\$417,307</u></u>
LIABILITIES			
Accounts Payable and accruals	8,000		8,000
Accrued salaries	12,011		12,011
Other liabilities	12,417		12,417
Total Liabilities	<u><u>32,428</u></u>		<u><u>32,428</u></u>
FUND BALANCE			
Nonspendable	34,742		34,742
Restricted		77,853	77,853
Committed	3,778		3,778
Unassigned	268,506		268,506
TOTAL FUND BALANCE	<u><u>307,026</u></u>	<u><u>77,853</u></u>	<u><u>384,879</u></u>
Total Liabilities and Fund Balance	<u><u>\$339,454</u></u>	<u><u>\$77,853</u></u>	<u><u>\$417,307</u></u>

The accompanying notes are an integral part of this statement

EVERGLADES PREPARATORY ACADEMY, INC.
STATEMENT OF NET POSITION
For the Year ended June 30, 2018

ASSETS	Account Number	Primary Government		Total
		Governmental Activities	Business-type Activities	
Cash and Cash Equivalents	1110	368,729		368,729
Accounts Receivable, Net	1130	1,419		1,419
Restricted Assets:				
Cash with Fiscal Agent	1114			
Deposits receivable	1210	5,880		5,880
Deferred Charges:				
Prepaid Items	1230	28,862		28,862
Issuance Costs				
Capital Assets:				
Buildings and Fixed equipment	1330	684,199		684,199
Less Accumulated Depreciation	1329	(192,592)		(192,592)
Furniture, Fixtures and equipment	1340	264,112		264,112
Less Accumulated Depreciation	1349	(241,988)		(241,988)
Motor Vehicles	1350	106,003		106,003
Less Accumulated Depreciation	1359	(18,403)		(18,403)
Computer Software	1382	11,866		11,866
Less Accumulated Depreciation	1389	(11,866)		(11,866)
Total Assets		1,006,221		1,006,221
LIABILITIES				
Salaries and Wages Payable	2110	12,011		
Payroll Deductions and Withholdings	2170			
Accounts Payable	2120	8,000		8,000
Noncurrent Liabilities:				
Deferred Revenue	2410			
Total Liabilities		20,011		20,011
NET POSITION				
Invested in Capital Assets, Net of Related Debt		601,331		601,331
Restricted For:				
Capital projects		77,853		
Other Projects		38,520		
Unrestricted		268,506		268,506
Total Net Position		986,210		986,210

The accompanying notes are an integral part of this statement

EVERGLADES PREPARATORY ACADEMY , INC.
Reconciliation of the Governmental Fund (General Fund)
Balance Sheet To The Statement of Net Position
June 30, 2018

Fund Balance- Governmental Funds		\$384,979
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	1,066,180	
Less accumulated depreciation	<u>(464,849)</u>	
		601,331
Net Position of Governmental activities		<u><u>\$986,310</u></u>

The accompanying notes are an integral part of this statement

EVERGLADES PREPARATORY ACADEMY, INC.
Statement of Governmental Fund (General Fund) Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2018

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Outlay</u>	<u>Total</u>
EXPENSES				
Instruction	\$403,471	\$3,669		\$407,140
Instructional support services	8,912	11,452		20,364
Board Services	15,587			15,587
General Administration	34,973			34,973
School Administration	208,411			208,411
Fiscal Services	31,065			31,065
Facilities Acquisition			36,685	36,685
Pupil Transportation	16,692			16,692
Operation of Plant	69,052		11,045	80,097
Maintenance of Plant	9,741		858	10,599
Administrative Technology	3,075			3,075
Community Services	31,686			31,686
TOTAL EXPENSES	<u>832,665</u>	<u>15,121</u>	<u>48,588</u>	<u>896,374</u>
PROGRAM REVENUES				
Florida Education Finance Program (FEFP)	699,452			699,452
Capital grants and contributions			22,774	22,774
Charges for Services				
Total program revenues	<u>699,452</u>		<u>22,774</u>	<u>722,226</u>
GENERAL REVENUES:				
Other federal sources		15,121		15,121
Other state sources	3,490			3,490
Other local sources	235,366		47,846	283,212
Total general revenues	<u>238,856</u>	<u>15,121</u>	<u>47,846</u>	<u>301,823</u>
Excess of Expenses over Revenues	105,643		22,032	127,675
Transfers				
Fund Balance, Beginning of Year	<u>257,204</u>			<u>257,204</u>
Fund Balance, End of Year	<u>\$ 362,847</u>	<u>\$ -</u>	<u>\$ 22,032</u>	<u>\$384,879</u>

The accompanying notes are an integral part of this statement

EVERGLADES PREPARATORY 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, 2018

Net Changes in Fund Balances- Governmental Funds \$127,675

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		
Less current year depreciation	<u>(41,883)</u>	
		<u>(41,883)</u>
Change in Net Position of Governmental Activities		<u><u>\$85,792</u></u>

The accompanying notes are an integral part of this statement

EVERGLADES PREPARATORY ACADEMY, INC.
STATEMENT OF ACTIVITIES
June 30, 2018

FUNCTIONS	Account Number	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
Instruction	5000	\$ 407,140		\$ 170,965	\$ (236,175)		(236,175)	43.4%
Pupil Personnel Services	6100	20,364		4584	(15,780)		(15,780)	2.2%
Board	7100	15,587			(15,587)		(15,587)	1.7%
General Administration	7200	34,973			(34,973)		(34,973)	3.7%
School Administration	7300	208,411			(208,411)		(208,411)	22.2%
Facilities Acquisition and Construction	7400	36,685		58717.00	22,032		22,032.00	3.9%
Fiscal Services	7500	31,065			(31,065)		(31,065)	3.3%
Pupil Transportation Services	7800	16,692			(16,692)		(16,692)	1.8%
Operation of Plant	7900	80,097		11,045	(69,052)		(69,052)	8.5%
Maintenance of Plant	8100	10,599		858	(9,741)		(9,741)	1.1%
Administrative Technology	8200	3,075			(3,075)		(3,075)	0.3%
Community Services	9100	31,686		54,744	23,058		23,058	3.4%
Unallocated Depreciation Expense *		41,883			(41,883)		(41,883)	4.5%
Total governmental activities		938,257		300,913	(637,344)		(637,344)	100.0%

General Revenues:

Taxes:

Florida Education Finance Program (FEFP)	699,452		699,452
Grants and contributions not restricted to specific program	23,684		23,684
Total general revenues, special items, and transfers	723,136		723,136
Change in net position	85,792		85,792
Prior period adjustment	(2)		
Net position-beginning	900,420		900,420
Net position-ending	\$986,210		\$986,210

* 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

EVERGLADES PREPARATORY ACADEMY, INC.
Statement of Revenues, Expenditures, and Changes
In Fund Balance-Budget (GAAP Basis) and Actual
All Governmental Fund Types
Year Ended June 30, 2018

	Special Revenue			Capital Outlay			Total					
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance			
EXPENDITURES:												
Instruction	\$416,263	\$403,471	\$12,792	\$6,685	\$3,669	\$3,016			\$422,948	\$407,140	\$15,808	
Pupil Personnel	11,675	8,912	2,763	11,248	11,452				22,923	20,364	2,559	
Board Services	22,246	15,587	6,659						22,246	15,587	6,659	
General Administration	34,762	34,973	(211)						34,762	34,973	(211)	
School Administration	185,221	208,411	(23,190)						185,221	208,411	(23,190)	
Fiscal Services	30,640	31,065	(425)						30,640	31,065	(425)	
Facilities Acquisition							36,600	36,685	85	36,600	36,685	(85)
Pupil Transportation	32,381	16,692	15,689						32,381	16,692	15,689	
Operation of Plant	75,094	69,052	6,042				11,962	11,045	(917)	87,056	80,097	6,959
Maintenance of Plant	11,600	9,741	1,859				2,368	858	(1,510)	13,968	10,599	3,369
Administrative Technology	1,140	3,075	(1,935)							1,140	3,075	(1,935)
Community Services	36,806	31,686	5,120							36,806	31,686	5,120
TOTAL EXPENDITURES	857,828	832,665	25,163	17,933	15,121	3,016	50,930	48,588	(2,342)	926,691	896,374	30,317
PROGRAM REVENUES:												
Florida Education Finance Program (FEFP)	695,243	699,452	4,209							695,243	699,452	4,209
Capital grants and contributions							22,773	22,774	1	22,773	22,774	1
	695,243	699,452	4,209				22,773	22,774	1	718,016	722,226	4,210

The accompanying notes are an integral part of this statement

EVERGLADES PREPARATORY ACADEMY, INC.
Statement of Revenues, Expenditures, and Changes
In Fund Balance-Budget (GAAP Basis) and Actual
All Governmental Fund Types (Cont'd)
Year Ended June 30, 2018

	Special Revenue			Capital Outlay			Total					
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance			
GENERAL REVENUES:												
Other federal sources				17,933	15,121	(2,812)				17,933	15,121	(2,812)
Other state sources		3,490	3,490								3,490	3,490
Other local sources	181,696	235,366	53,670				47,846	47,846		229,542	283,212	53,670
	<u>181,696</u>	<u>238,856</u>	<u>\$57,160</u>	<u>17,933</u>	<u>15,121</u>	<u>(2,812)</u>	<u>47,846</u>	<u>47,846</u>		<u>247,475</u>	<u>301,823</u>	<u>54,348</u>
Excess of Revenues over expenditures	<u>\$19,111</u>	<u>\$105,643</u>	<u>\$36,206</u>	<u>\$ -</u>				22,032		<u>\$38,800</u>	127,675	<u>\$88,875</u>
Fund Balance, beginning of year		257,204									257,204	
Fund Balance, end of year		<u>\$362,847</u>			<u>\$ -</u>		<u>\$22,032</u>				<u>\$384,879</u>	

The accompanying notes are an integral part of this statement

EVERGLADES PREPARATORY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Everglades Preparatory Academy, Inc. (“the Academy”) was established as a nonprofit organization in September 2001 under the laws of the State of Florida and is the reporting entity.

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 a high school education to children who reside in Palm Beach County. 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 receives 5% of the Florida Education Finance Program (FEFP) revenue as an administrative fee. The Contract is effective through June 30, 2022. 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 and the 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, debt 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 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.

EVERGLADES PREPARATORY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Academy’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).

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.

EVERGLADES PREPARATORY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus (Cont'd.)

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 and deposits. While the Academy attempts to limit its financial exposure, its cash 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.

Fair Value Measurement

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 in the principal or most advantageous market in an 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.

EVERGLADES PREPARATORY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value Measurement (Cont'd.)

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

The Academy does not recognize any support, revenue or expense from services contributed by individual volunteers because they do not meet the criteria for measurement.

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).

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:

Building Improvements	20 Years
Furniture, Fixtures and Computer Equipment	5-10 Years
Computer Software	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 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 Education Finance

EVERGLADES PREPARATORY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Sources (Cont'd.)

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 balance 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 a restricted fund balance at year end.
- 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 a 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 no assigned fund balance at year end.
- e) **Unassigned** fund balance is amounts that are available for any purpose. These amounts are reported only in the general fund. There was an unassigned fund deficit 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.

EVERGLADES PREPARATORY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 20, 2018

NOTE 2 – CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2018 were as follows:

	Balance Beginning	Additions	Disposals	Balance Ending
Building & Improvements	\$ 684,199	\$ -	\$ -	\$ 684,199
Furniture Fixtures and Equipment	264,112	-	-	264,112
Vehicles	106,003	-	-	106,003
Computer Software	11,867	-	-	11,867
	<u>1,066,181</u>	<u>-</u>	<u>-</u>	<u>1,066,181</u>
Less Accumulated Depreciation	422,967	41,883	-	464,850
Net Capital Assets	<u>\$ 643,214</u>	<u>\$ 41,883</u>	<u>\$ -</u>	<u>\$ 601,331</u>

Depreciation Expense of \$41,883 was unallocated during the year ended June 30, 2018.

Beginning balances have been adjusted to reflect actual amounts.

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 contributed 3% of eligible employees salary. Employer contributions to the retirement Plan are at the discretion of the Board of Directors. Retirement expense for the year ended June 30, 2018, was \$6,572.

NOTE 4 – 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 Board Members.

EVERGLADES PREPARATORY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Lease Agreement

The Academy leases its administrative and classroom facilities under an operating lease that expires in April 2019. Rental expenses for the year ended June 30, 2018, were \$30,000. Future minimum lease payments required under the lease, assuming the options are exercised, are approximately as follows:

June 30, 2019	\$	30,000
June 30, 2020		30,000
June 30, 2021		30,000
June 30, 2022		30,000
June 30, 2023		30,000
	<u>\$</u>	<u>150,000</u>

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. A review of the past seven years reveals that settled claims have not exceeded insurance coverage

The Academy receives funding from the State of Florida based on the number of full time equivalent (FTE) students who attend the Academy. 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.

NOTE 6 – 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 19, 2018. Management's evaluation did not reveal any subsequent events that would have a material effect on the financial statements.

**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
Everglades Preparatory Academy, Inc.
360 E. Mail Street, Bldg. "C"
Pahokee, Florida 33476

I have audited the financial statements of the Everglades Preparatory Academy, Inc., ("the Academy") (a nonprofit organization) as of and for the year ended June 30, 2018, and have issued my report thereon dated September 19, 2018. 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 Members of the Board of
Everglades Preparatory Academy, Inc.
360 E. Main Street, Bldg. "C"
Pahokee, Florida 33476
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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.

Palm Beach Gardens, Florida
September 19, 2018

MANAGEMENT LETTER

To the Board Members of
Everglades Preparatory Academy, Inc.
360 E. Main Street, Bldg. "C"
Pahokee, Florida 33476

Report on the Financial Statements

I have audited the financial statements of the Everglades Preparatory Academy, Inc., Florida, as of and for the fiscal year ended June 30, 2018, and have issued my report thereon dated September 19, 2018.

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 Everglades Preparatory Academy, Inc.

MANAGEMENT LETTER
(Continued)

Financial Condition

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we report the results of our determination as to whether or not the Everglades Preparatory 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 the Everglades Preparatory 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 the Everglades Preparatory Academy, Inc. It is management's responsibility to monitor the Everglades Preparatory 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 the Everglades Preparatory 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 the Everglades Preparatory Academy 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 recommendation.

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 19, 2018