



**The Arbor School of
Central Florida, Inc.**

Financial Statements

July 31, 2020

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INDEPENDENT AUDITORS' REPORT

Partners

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To the Board of Directors of
The Arbor School of Central Florida, Inc.
Winter Springs, Florida

We have audited the accompanying financial statements of The Arbor School of Central Florida, Inc. (the "School"), a nonprofit School, which comprise the statement of financial position as of July 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arbor School of Central Florida, Inc. as of July 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Moss, Krusick & Associates, LLC

Winter Park, Florida
December 7, 2020

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Certified Public
Accountants

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The Arbor School of Central Florida, Inc.

STATEMENT OF FINANCIAL POSITION

July 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 141,031
Accounts receivable	<u>54,089</u>

Total current assets 195,120

Fixed assets, net 15,913

Total assets \$ 211,033

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 17,224
Accrued payroll and benefits	35,697
Payroll Protection Program loan	251,900
Deferred revenue	4,000
Current portion of note payable	<u>4,704</u>

Total current liabilities 313,525

Note payable, less current portion 6,763

Total liabilities 320,288

NET ASSETS

Without donor restrictions	(109,255)
With donor restrictions	<u>-</u>

Total net assets (109,255)

Total liabilities and net assets \$ 211,033

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

The Arbor School of Central Florida, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended July 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Tuition and fees:			
John McKay scholarships	\$ 833,145	\$ -	\$ 833,145
Tuition	311,621	-	311,621
Gardiner scholarships	292,838	-	292,838
School scholarships	495,271	-	495,271
Grants	6,100	-	6,100
Program income	42,481	-	42,481
Total tuition and fees	1,981,456	-	1,981,456
Other	20,417	-	20,417
In-Kind	3,000	-	3,000
Fundraising	10,293	-	10,293
Net assets released from restrictions	82,202	(82,202)	-
Total revenue and support	2,097,368	(82,202)	2,015,166
EXPENSES			
Program services:			
Academic support	895,355	-	895,355
Student support	1,095,369	-	1,095,369
Supporting services:			
Management and general	228,474	-	228,474
Fundraising	59,677	-	59,677
Total expenses	2,278,875	-	2,278,875
Change in net assets	(181,507)	(82,202)	(263,709)
Net assets at beginning of year	72,252	82,202	154,454
Net assets at end of year	<u>\$ (109,255)</u>	<u>\$ -</u>	<u>\$ (109,255)</u>

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

The Arbor School of Central Florida, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended July 31, 2020

	Program Services		Supporting Services		Total
	Academic Support	Student Support	Management and General	Fundraising	
Payroll	\$ 882,190	\$ 161,527	\$ 149,103	\$ 49,701	\$ 1,242,521
School scholarship	-	495,271	-	-	495,271
Loss on disposal	-	179,847	19,983	-	199,830
Utilities	-	61,611	6,846	-	68,457
Insurance	-	49,597	5,511	-	55,108
Moving expense	-	40,405	4,489	-	44,894
Contract services	-	29,467	6,035	-	35,502
Supplies	-	30,274	1,593	-	31,867
Bad debt expense	-	-	30,811	-	30,811
Other expense	-	24,689	2,743	-	27,432
Textbooks and subscriptions	13,165	-	-	-	13,165
Depreciation	-	8,991	999	-	9,990
Fundraising expense	-	-	-	9,459	9,459
Advertising	-	6,972	-	367	7,339
Telephone	-	4,018	211	-	4,229
In-kind	-	2,700	150	150	3,000
	<u>\$ 895,355</u>	<u>\$ 1,095,369</u>	<u>\$ 228,474</u>	<u>\$ 59,677</u>	<u>\$ 2,278,875</u>

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

The Arbor School of Central Florida, Inc.

STATEMENT OF CASH FLOWS

Year Ended July 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (263,709)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Loss on disposal	199,830
Depreciation	9,990
Bad debt expense	30,811
Changes in operating assets and liabilities:	
Increase in accounts receivable	(13,379)
Decrease in accounts payable	(2,977)
Increase in deferred revenue	2,900
Increase in accrued payroll and benefits	<u>2,961</u>
Net cash used by operating activities	<u>(33,573)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on line of credit	(75,982)
Proceeds from Paycheck Protection Program	251,900
Payments on note payable	<u>(4,670)</u>
Net cash provided in financing activities	<u>171,248</u>

Increase in cash and cash equivalents	<u>137,675</u>
Cash and cash equivalents, beginning of year	<u>3,356</u>
Cash and cash equivalents, end of year	<u>\$ 141,031</u>

Supplemental Disclosure

Cash paid for interest	<u>\$ 1,599</u>
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The accompanying notes are an integral part of these financial statements.

The Arbor School of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

July 31, 2020

NOTE A – NATURE OF ACTIVITIES

The Arbor School of Central Florida, Inc. (the School) began operations in 2002, and incorporated as a nonprofit School on July 2, 2010, under the laws of the State of Florida. The School operates a private K – 12th grade school in the Central Florida area. The School's mission is to provide a leading-edge, academically sound, and therapeutically-based learning approach for special needs students to help every child achieve their full potential in life. The School offers a sensory-based curriculum ideal for students with high functioning autism, learning disabilities such as dyslexia, and other unique disabilities.

Operation of the School is directed by a voluntary board whose members receive no compensation for their services.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

2. Basis of Presentation

The accompanying financial statements and accompanying schedules have been prepared on the accrual basis of accounting. The School reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. For example, the Board may designate a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor-restricted endowment) for the purpose of securing the School's long-term financial viability.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions.

The School reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

The Arbor School of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

July 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of Presentation (continued)

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the School to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

See Note G for more information on the composition of net assets with donor restrictions.

3. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the School considers all unrestricted, highly liquid investments with maturity dates of three months or less at the date of purchase to be cash equivalents.

4. Use of Estimates

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

5. Fixed Assets

The School records (i.e., capitalizes) fixed asset acquisitions at cost. Donated fixed assets are recorded at fair value at the date of donation. It is the School's policy to capitalize fixed asset additions in excess of \$10,000. Lesser amounts are expensed. Depreciation of fixed assets is provided over the estimated useful lives of the respective assets on a straight-line method over the following estimated useful lives:

Furniture and fixtures	7-10 years
Leasehold improvements	3-20 years
Machinery and equipment	5-10 years

6. Income Taxes

The School is a not-for-profit Florida corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and from state income taxes pursuant to Florida law. Therefore, no income tax provision is required in the accompanying financial statements. The School is not classified as a private foundation. Contributions to the School are qualified as deductions for charitable contributions.

Management has analyzed the School's various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported, and no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded.

The Arbor School of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

July 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Accrued Paid Time Off

Accrued payroll and benefits include accrued paid time off (PTO), which is charged as an expense in the period it is earned. An employee earns 10 days of PTO per school year, and is allowed to carry over a maximum of 21 unused hours to the next school year.

8. Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

9. Donated Equipment and Services

Donated equipment is reflected as contributions in the accompanying financial statements at its fair value at the date of receipt. Donated services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, and would need to be purchased if not provided by donation. The School has recognized \$3,000 of donated services for the year ended July 31, 2020. In addition, management estimates that volunteers not meeting the above criteria donate considerable hours to the School's academic programs on an ongoing basis.

10. Tuition, Scholarships and Financial Aid

Tuition and fees consist primarily of private payments and scholarships. The majority of students receive scholarships through The John McKay Scholarship Program for Students with Disabilities, which provides students with special needs the opportunity to attend a private school; or The Gardiner Scholarship Program, which is a State of Florida approved nonprofit scholarship funding program created to benefit eligible children. The School also offers a school scholarship program, which totaled \$495,271 for the year ended July 31, 2020, which represents full and partial scholarships to students. This scholarship amount is presented in the financial statements as both revenue and expense.

11. Accounts Receivable

Accounts receivable consists of tuition, fees, and after care costs. Receivables are stated at the amount management expects to realize from outstanding balances. Bad debt expense was \$30,811 for the year ended July 31, 2020 as certain accounts were deemed uncollectible and written-off. No allowance was considered necessary at July 31, 2020.

12. Deferred Revenue

The School recognizes tuition and fee revenue in the period in which the related educational instruction is performed. Advance tuition and fees of \$4,000 received for fiscal 2020 were deferred for the year ended July 31, 2020.

13. Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended July 31, 2020, was \$7,339.

The Arbor School of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

July 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Revenue and Support Recognition

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (ASC 606), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when contract performance obligations are met.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASC 958-605), which clarifies how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional.

The School adopted ASC 606 and ASC 958-605 and all related amendments effective August 1, 2019. The adoption of ASC 606 and ASC 958-605 had no significant impact on the School's financial statements.

The School receives a majority of its revenue from tuition through private pay, and from McKay, Gardiner, and Step-Up for Students scholarships. The School recognizes revenue once it is earned in accordance with the tuition and scholarship agreement.

Contributions received are recorded as with donor and without donor restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. Contributions are generally recognized as revenue when received or designated at a point in time and when any barriers to recognition have been overcome. Contributions received generally do not have a right of return.

15. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The School is evaluating the potential effects ASU 2016-02 will have on its financial statements.

16. Subsequent Events

Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were issued or available to be issued on December 7, 2020.

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

The Arbor School of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

July 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

16. Subsequent Events (continued)

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

NOTE C – FIXED ASSETS

Fixed assets consisted of the following at July 31, 2020:

Machinery and equipment	\$ 52,171
Furniture and fixtures	<u>14,459</u>
Total fixed assets	66,630
Less: accumulated depreciation	<u>(50,717)</u>
Net fixed assets	<u>\$ 15,913</u>

Depreciation expense for the year ended July 31, 2020, was \$9,990.

In August 2019, the School moved to a new facility and retired the leasehold improvements from its old location. As a result, the School incurred a loss on disposal of assets of \$199,830 during fiscal 2020.

NOTE D – BANK LINE OF CREDIT

The School has a line of credit with Seacoast National Bank in the amount of \$100,000 for the purpose of monthly cash flow that was renewed in December 2018 and matures in November 2021. The line accrues interest at a rate of 5.323%, with interest only, payable monthly. The line is secured by the School's real property. The outstanding balance on the line at July 31, 2020 was \$0.

NOTE E – NOTE PAYABLE

Long-term note payable at July 31, 2020 consisted of the following:

Note payable, Seacoast National Bank, \$419 payable monthly, including interest at 3.49%, maturing November 2022, collateralized by equipment.	\$ 11,467
Less current portion:	<u>(4,704)</u>
	<u>\$ 6,763</u>

The Arbor School of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

July 31, 2020

NOTE E – NOTE PAYABLE (continued)

Annual maturities of note payable for years succeeding July 31, 2020 are as follows:

2021	\$	4,704
2022		<u>6,763</u>
	\$	<u>11,467</u>

NOTE F – PAYROLL PROTECTION PROGRAM LOAN

On March 27, 2020, the Coronavirus Aid Relief, and Economic Security Act (“CARES Act”) was enacted in response to the COVID-19 pandemic. Under the CARES Act, the Paycheck Protection Program was established to provide assistance to small businesses with resources needed to maintain payroll and cover applicable overhead. On April 17, 2020, the Organization, through a financial institution, was approved for and received a loan in the amount of \$251,900 under this program. The proceeds of the loan were primarily used for payroll, lease, and utilities. The unforgiven portion of the loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months. Management will seek forgiveness of the loan, and believes a significant portion of the loan will be forgiven in 2021 based on current interpretations of the CARES Act. As of the date of the financial statements, the forgiveness process is not complete.

NOTE G – OPERATING LEASES

The School commenced a new lease with the Tuskawilla Methodist Church under a cost sharing agreement, which began August 1, 2019 and expires on July 31, 2024. The School agreed to a monthly rate of \$5,000 to lease portions of the church campus. The lease expense related to the Tuskawilla facility totaled \$60,000 at July 31, 2020. In addition, the School leases various school facilities and a storage unit under month-to-month agreements ranging from \$124 to \$2,600, per month. Total lease expense totaled \$64,118 for the year ended July 31, 2020.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS RELEASED

Net assets with donor restrictions released during the year ended July 31, 2020, were as follows:

Use and time restrictions:

Malone Family Foundation	\$	78,180
Malone Family Grant – 2 nd Initiative		<u>4,022</u>
	\$	<u>82,202</u>

NOTE I – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include utilities and depreciation, which are allocated on a square footage basis, as well as payroll, school scholarships, supplies, textbooks and subscriptions, advertising, repairs and maintenance, music and art, telephone, other expenses, insurance, and contract services, which are allocated on the basis of estimates of time and effort.

The Arbor School of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

July 31, 2020

NOTE I – LIQUIDITY AND AVAILABILITY OF RESOURCES

The School's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 141,031
Accounts receivable	<u>54,089</u>
Total financial assets available within one year	<u>195,120</u>
Amounts unavailable for general expenditure:	
Within one year due to:	
Accounts payable and accrued expenses	(52,921)
Deferred revenue	(4,000)
Current portion of long-term debt	<u>(4,704)</u>
Total amounts of expenditures due within One year	<u>(61,625)</u>
Total financial assets (deficit) available within one year	<u>\$ 133,495</u>

As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. During the year ended July 31, 2020, the School's enrollment increased by eight students to 103. For the 2020-2021 school year, the School will have an increase in enrollment to approximately 108 students which should increase cash flows by over \$100,000. Also, the School has approximately \$100,000 available under its line of credit which could be accessed if the need arises.