The Arbor School of
Central Florida, Inc.

Financial Statements

July 31, 2021 and 2020

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MKA
CPAs AND ADVISORS

Winter Park, FL 32789
501 S. New York Ave.
Suite 100
Phone: 407-644-5811
www.mosskrusick.com

N. Palm Beach, FL 33408
631 US Highway One
Suite 405
Phone: 561-848-9300

Miami Lakes, FL 33016
7900 NW 155th Street
Suite 201
Phone: 305-445-7956

INDEPENDENT AUDITORS' REPORT

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, 2021, 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, 2021, 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.

Report on Summarized Comparative Information

We have previously audited The Arbor School of Central Florida, Inc.'s 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss, Krusick & Associates, LLC

Winter Park, Florida
October 18, 2021

The Arbor School of Central Florida, Inc.

STATEMENTS OF FINANCIAL POSITION

July 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 289,769	$ 141,031
Investments	200,000	-
Accounts receivable	40,014	54,089
Total current assets	529,783	195,120
Fixed assets, net	6,423	15,913
Total assets	$ 536,206	$ 211,033
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITES		
Accounts payable	$ 5,968	$ 17,224
Accrued payroll and benefits	14,140	35,697
Paycheck Protection Program loan	-	251,900
Deferred revenue	11,000	4,000
Current portion of note payable	4,873	4,704
Total current liabilities	35,981	313,525
Note payable, less current portion	702	6,763
Total liabilities	36,683	320,288
NET ASSETS (DEFICIT)		
Without donor restrictions	499,523	(109,255)
Total net assets (deficit)	499,523	(109,255)
Total liabilities and net assets	$ 536,206	$ 211,033

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

The Arbor School of Central Florida, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended July 31, 2021 and 2020

	2021	2020
REVENUE AND SUPPORT		
Tuition and fees:		
John McKay scholarships	$ 972,044	$ 833,145
Tuition	342,850	311,621
Gardiner scholarships	422,421	292,838
School financial aid	527,496	495,271
Grants	44,268	6,100
Program income	61,290	42,481
Total tuition and fees	2,370,369	1,981,456
PPP debt forgiveness	531,750	-
Other	23,051	20,417
In-kind	11,220	3,000
Fundraising	804	10,293
Total revenue and support	2,937,194	2,015,166
EXPENSES		
Program services:		
Academic support	995,520	895,355
Student support	1,017,485	1,095,369
Supporting services:		
Management and general	255,570	228,474
Fundraising	59,841	59,677
Total expenses	2,328,416	2,278,875
Change in net assets	608,778	(263,709)
Net assets (deficit) at beginning of year	(109,255)	154,454
Net assets (deficit) at end of year	$ 499,523	$ (109,255)

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

The Arbor School of Central Florida, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended July 31, 2021
(with summarized financial information for the year ended July 31, 2020)

	Program Services		Supporting Services			
	Academic Support	Student Support	Management and General	Fundraising	2021 Total	2020 Total
Payroll	$ 981,220	$ 179,660	$ 165,840	$ 55,280	$ 1,382,000	1,242,521
School financial aid	-	527,496	-	-	527,496	495,271
Utilities	-	117,418	13,046	-	130,464	68,457
Bad debt expense	-	-	55,052	-	55,052	30,811
Contract services	-	41,238	8,446	-	49,684	35,502
Insurance	-	49,515	5,502	-	55,017	55,108
Supplies	-	37,509	1,974	-	39,483	31,867
Other expense	-	34,399	3,822	-	38,221	27,432
Textbooks and subscriptions	14,300	-	-	-	14,300	13,165
In-kind	-	10,098	561	561	11,220	3,000
Depreciation	-	8,541	949	-	9,490	9,990
Telephone	-	7,176	378	-	7,554	4,229
Advertising	-	4,435	-	233	4,668	7,339
Fundraising expense	-	-	-	3,767	3,767	9,459
Moving expense	-	-	-	-	-	44,894
Loss on disposal	-	-	-	-	-	199,830
	$ 995,520	$ 1,017,485	$ 255,570	$ 59,841	$ 2,328,416	$ 2,278,875

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

The Arbor School of Central Florida, Inc.

STATEMENTS OF CASH FLOWS

Years Ended July 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 608,778	$ (263,709)
Adjustments to reconcile change in net assets		
to net cash used by operating activities:		
Loss on disposal	-	199,830
Depreciation	9,490	9,990
Bad debt expense	55,052	30,811
Debt forgiveness	(531,750)	-
(Increase) decrease in assets:		
Accounts receivable	(40,977)	(13,379)
Increase (decrease) in liabilities:		
Accounts payable	(11,256)	(2,977)
Accrued payroll and benefits	(21,557)	2,961
Deferred revenue	7,000	2,900
Net cash provided by (used in) operating activities	74,780	(33,573)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(200,000)	-
Net cash used in investing activities	(200,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	-	(75,982)
Proceeds from Paycheck Protection Program	279,850	251,900
Payments on note payable	(5,892)	(4,670)
Net cash provided in financing activities	273,958	171,248
Net increase in cash and cash equivalents	148,738	137,675
Cash and cash equivalents, beginning of year	141,031	3,356
Cash and cash equivalents, end of year	$ 289,769	$ 141,031
Supplemental Disclosure		
Cash paid for interest	$ 308	$ 1,599

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

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 may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

   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. However, if a restriction is fulfilled in the same time period in which the gifts of cash or other assets are received, the School reports the support as net assets without donor restrictions.

   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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

7. Financial Instruments and Credit Risk

Financial instruments that potentially subject the School to concentrations of credit risk consist primarily of cash and short-term investments. The School maintains its cash and investments in banks which participate in the Federally Deposit Insurance Corporation (FDIC) Program. Balances are insured up to $250,000 per institution. At times, the account balances exceed the FDIC limit. However, the School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and investments.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. 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. A full-time employee earns 12 days of PTO per school year and is allowed to carry over a maximum of 22 unused hours to the next school year. A part-time employee earns, on average, 12 hours of PTO per school year, and is allowed to carry over a maximum of 3 unused days to the next school year.

9. 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.

10. 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 $11,220 and $3,000 of donated services and equipment for the years ended July 31, 2021 and 2020, respectively. In addition, management estimates that volunteers not meeting the above criteria donate considerable hours to the School's academic programs on an ongoing basis.

11. 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 $527,496 and $495,271 for the years ended July 31, 2021 and 2020, respectively, which represents full and partial scholarships to students. This scholarship amount is presented in the financial statements as both revenue and expense and titled School Financial Aid.

12. 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 $55,052 and $30,811 for the years ended July 31, 2021 and 2020, respectively, as certain accounts were deemed uncollectible and written-off. No allowance was considered necessary at July 31, 2021 and 2020.

13. 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 $11,000 and $4,000 received for fiscal 2021 and 2020 were deferred to the years ended 2022 and 2021, respectively.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended July 31, 2021 and 2020, was $4,668 and $7,339, respectively.

15. Revenue and Support Recognition

The School follows FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606), which 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.

The School also follows 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 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. 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. Gains and losses earned on investments are recognized upon changes in investment value.

16. Fair Value of Investments

U.S. GAAP for fair value measurements establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to quoted market prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.

The carrying amounts of the School's financial assets and liabilities, such as cash and cash equivalents, investments, accounts receivable and payable, and note payable approximates their fair values because of the short maturity or market interest rates of these instruments.

17. 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

18. 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 October 18, 2021.

NOTE C – INVESTMENTS

Investments at July 31, 2021, consist of a 6-month, with 0.15% interest, bank certificate of deposit with a maturity date of October 2, 2021. The fair value is determined by the bank. The following table presents the School's fair value hierarchy for those assets measured at fair value on a recurring basis as of July 31, 2021:

	Level 1	Level 2	Level 3	Total
Certificate of deposit	$ -	$ 200,000	$ -	$ 200,000

No assets were measured at fair value on a recurring basis at July 31, 2020.

NOTE D – FIXED ASSETS

Fixed assets consisted of the following at July 31:

	2021	2020
Machinery and equipment	$ 52,171	$ 52,171
Furniture and fixtures	14,459	14,459
Total fixed assets	66,630	66,630
Less: accumulated depreciation	(60,207)	(50,717)
Net fixed assets	$ 6,423	$ 15,913

Depreciation expense for the year ended July 31, 2021 and 2020, was $9,490 and $9,990, respectively.

NOTE E – 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, 2021 and 2020 was $0.

NOTE F – NOTE PAYABLE

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

	2021	2020
Note payable, Seacoast National Bank, $419 payable monthly, including interest at 3.49%, maturing November 2022, collateralized by equipment.	$ 5,575	$ 11,467
Less current portion:	(4,873)	(4,704)
	$ 702	$ 6,763

Maturities of note payable for years succeeding July 31, 2021 is $4,873 for fiscal 2022 and $702 for fiscal 2023.

NOTE G – PAYCHECK 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 and January 22, 2021, the School, through a financial institution, was approved for and received loans in the amount of $251,900 and $279,850, respectively, under this program. The proceeds of these loans were primarily used for payroll, leases, and utility costs. In January and February 2021, the loans were forgiven and are reflected as a gain on debt forgiveness in the 2021 financial statements.

NOTE H – OPERATING LEASES

The School commenced a 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 for fiscal 2021 and $64,118 for fiscal 2020.

The School commenced a lease for the Spring Villas facility with the Community Bank of Raymore Missouri, which began December 1, 2020 and expires on November 30, 2025. The School agreed to a monthly rate of $3,500 to lease the facility. The lease expense related to the Spring Villas facility totaled $28,000 for fiscal 2021.

In addition, the School leases various facilities and a storage unit under month-to-month agreements ranging from $124 to $2,600, per month. Total lease expense for all leases was $89,546 and $64,118 for fiscal 2021 and fiscal 2020, respectively.

NOTE H – OPERATING LEASES (continued)

Future minimum lease payments are the following for the fiscal years ending July 31:

2022	$ 103,488
2023	103,488
2024	103,488
2025	43,488
2026	15,488
Total	$ 369,440

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.

NOTE J – 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	$ 289,769
Investments	200,000
Accounts receivable	40,014
Total financial assets available within one year	529,783
Amounts unavailable for general expenditure:	
Within one year due to:	
Accounts payable and accrued expenses	(20,108)
Deferred revenue	(11,000)
Current portion of long-term debt	(4,873)
Total amounts of expenditures due within one year	(35,981)
Total financial assets available within one year	$ 493,802

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. Also, the School has approximately $100,000 available under its line of credit which could be accessed if the need arises.

NOTE K – RISKS AND UNCERTAINTIES

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

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