

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

**Financial Statements**

**July 31, 2017**

## TABLE OF CONTENTS

	Page
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



**Partners**

W. Ed Moss, Jr.  
Joe M. Krusick  
Cori G. Cameron  
Bob P. Marchewka  
Ric Perez  
James R. Dexter  
Thomas F. Regan  
Ernie R. Janvrin  
Paul F. Smyth  
Darby M. Hauck

501 S. New York Ave.  
Suite 100  
Winter Park, FL 32789  
Phone: 407-644-5811  
Fax: 407-644-6022  
www.mosskrusick.com

631 US Highway 1  
Suite 411  
N. Palm Beach, FL 33408  
Phone: 561-848-9300  
Fax: 561-848-9332

American Institute of  
Certified Public  
Accountants

Florida Institute of  
Certified Public  
Accountants

**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 organization, which comprise the statement of financial position as of July 31, 2017, 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.

**Auditors' 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, 2017, and the changes in its net assets, statement of functional expenses 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*

April 18, 2018  
Winter Park, Florida

The Arbor School of Central Florida, Inc.

STATEMENT OF FINANCIAL POSITION

July 31, 2017

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 9,241
Accounts receivable	<u>34,263</u>
Total current assets	43,504
Fixed assets, net	<u>334,651</u>
Total assets	<u><u>\$ 378,155</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Bank line of credit	\$ 99,248
Accounts payable	14,394
Accrued payroll and benefits	23,236
Deferred revenue	42,433
Current portion of note payable	<u>4,231</u>
Total current liabilities	183,542
Note payable, less current portion	<u>20,164</u>
Total liabilities	<u>203,706</u>
Commitments	-
<b>NET ASSETS</b>	
Unrestricted	92,487
Temporarily restricted	<u>81,962</u>
Total net assets	<u>174,449</u>
Total liabilities and net assets	<u><u>\$ 378,155</u></u>

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, 2017

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Tuition and fees:			
John McKay scholarships	\$ 962,897	\$ -	\$ 962,897
Tuition	215,052	-	215,052
Gardiner scholarships	83,562	-	83,562
Grants	13,400	70,000	83,400
Program income	72,495	-	72,495
	<hr/>	<hr/>	<hr/>
Total tuition and fees	1,347,406	70,000	1,417,406
Other	52,548	-	52,548
In-Kind	49,215	-	49,215
Fundraising	10,172	-	10,172
Net assets released from restrictions	67,804	(67,804)	-
	<hr/>	<hr/>	<hr/>
Total revenue and support	1,527,145	2,196	1,529,341
<b>EXPENSES</b>			
Program services:			
Academic support	853,583	-	853,583
Student support	473,532	-	473,532
Supporting services:			
Management and general	171,960	-	171,960
Fundraising	55,836	-	55,836
	<hr/>	<hr/>	<hr/>
Total expenses	1,554,911	-	1,554,911
Change in net assets	(27,766)	2,196	(25,570)
Net assets at beginning of year	120,253	79,766	200,019
	<hr/>	<hr/>	<hr/>
Net assets at end of year	\$ 92,487	\$ 81,962	\$ 174,449
	<hr/>	<hr/>	<hr/>

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, 2017

	Program Services		Supporting Services		Total
	Academic Support	Student Support	Management and General	Fundraising	
Payroll	\$ 847,112	\$ 155,105	\$ 143,174	\$ 47,725	\$ 1,193,115
Utilities	-	79,886	8,876	-	88,762
Insurance	-	56,914	6,324	-	63,238
In-kind	-	44,294	2,461	2,461	49,215
Depreciation	-	41,572	4,619	-	46,191
Music and art	-	33,741	-	-	33,741
Supplies	-	19,125	1,007	-	20,132
Other expense	-	16,293	1,810	-	18,103
Contract services	-	14,015	2,871	-	16,886
Repairs and maintenance	-	5,935	659	-	6,594
Textbooks and subscriptions	6,471	-	-	-	6,471
Fundraising expense	-	-	-	5,460	5,460
Advertising	-	3,616	-	190	3,806
Telephone	-	3,037	160	-	3,197
	<u>\$ 853,583</u>	<u>\$ 473,532</u>	<u>\$ 171,960</u>	<u>\$ 55,836</u>	<u>\$ 1,554,911</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, 2017

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (25,570)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	46,191
Changes in operating assets and liabilities:	
Decrease in accounts receivable	14,915
Increase in accounts payable	14,394
Increase in accrued payroll and benefits	11,097
Decrease in deferred revenue	<u>(5,699)</u>
Net cash provided by operating activities	<u>55,328</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	<u>(78,329)</u>
Net cash used by investing activities	<u>(78,329)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from line of credit, net	248
Proceeds from note payable	27,136
Payments on note payable	<u>(2,741)</u>
Net cash provided by financing activities	<u>24,643</u>
Increase in cash and cash equivalents	1,642
Cash and cash equivalents, beginning of year	<u>7,599</u>
Cash and cash equivalents, end of year	<u>\$ 9,241</u>

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

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

**NOTES TO FINANCIAL STATEMENTS**

**July 31, 2017**

**NOTE A – NATURE OF ACTIVITIES**

The Arbor School of Central Florida, Inc. (the School) began operations in 2002, and incorporated as a nonprofit organization 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 School reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets – net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – net assets subject to donor-imposed stipulations that may or will be met by actions of the School and/or the passage of time.

Permanently Restricted Net Assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the School. The school has no permanently restricted net assets.

Support and related investment gains/losses that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires or is satisfied in the reporting period in which such support and revenue is recognized. All other donor-restricted support and revenue is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

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.



The Arbor School of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

July 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. 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 \$49,215 of donated equipment and services for the year ended July 31, 2017. In addition, management estimates that volunteers not meeting the above criteria donate considerable hours to the School's academic programs on an ongoing basis.

9. 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.

10. 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. No amounts were deemed uncollectible at July 31, 2017.

The Arbor School of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

July 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Revenue Recognition and 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 \$42,433 received for fiscal 2018 were deferred as of July 31, 2017.

12. Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended July 31, 2017, was \$3,806.

13. Recent Accounting Pronouncements

The Financial Accounting Standards Board recently issued new accounting pronouncements on revenue recognition, presentation of not-for-profit financial statements, and lease accounting, which are effective beginning in 2018 and 2020. Early adoption is permitted. The School is evaluating the impact these new pronouncements will have on its financial statements.

14. 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 April 18, 2018.

NOTE C – FIXED ASSETS

Fixed assets consisted of the following at July 31, 2017:

Leasehold improvements	\$ 370,151
Machinery and equipment	52,122
Furniture and fixtures	<u>17,654</u>
Total fixed assets	439,927
Less: accumulated depreciation	<u>(105,276)</u>
Net fixed assets	<u>\$ 334,651</u>

Depreciation expense for the year ended July 31, 2017, was \$46,191.

The Arbor School of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

July 31, 2017

**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 matures in November 2018. 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 at July 31, 2017 was \$99,248.

**NOTE E – NOTE PAYABLE**

Long-term note payable at July 31, 2017 consisted of the following:

Note payable, Seacoast National Bank, \$419 payable monthly, including interest at 3.49%, maturing November 2022, collateralized by equipment.	\$ 24,395
Less current portion:	<u>(4,231)</u>
	<u>\$ 20,164</u>

Annual maturities of note payable for years succeeding July 31, 2017 are as follows:

2018	\$ 4,231
2019	4,383
2020	4,539
2021	4,705
2022	4,873
Thereafter	<u>1,664</u>
	<u>\$ 24,395</u>

**NOTE F – OPERATING LEASES**

The School leases portable units for classroom space under a non-cancelable operating lease agreement, which expires on August 12, 2018. The future minimum lease commitments for the School total \$9,732 for the year ended July 31, 2018. In addition, the School leases various school facilities and a storage unit under month-to-month agreements ranging from \$308 to \$2,600, per month.

The Arbor School of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

July 31, 2017

**NOTE G – TEMPORARILY RESTRICTED NET ASSETS**

Net assets released from restrictions during the year ended July 31, 2017, were as follows:

Satisfaction of use and time restrictions:

Malone Family Foundation	\$	67,205
Malone Family Grant – 2 <sup>nd</sup> Initiative		<u>599</u>
	\$	<u>67,804</u>

Temporarily restricted net assets at July 31, 2017, were as follows:

Use and time restrictions:

Malone Family Foundation	\$	77,940
Malone Family Grant – 2 <sup>nd</sup> Initiative		<u>4,022</u>
	\$	<u>81,962</u>