



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

Financial Statements

July 31, 2018

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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, 2018, 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, 2018, 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
October 18, 2018

The Arbor School of Central Florida, Inc.

STATEMENT OF FINANCIAL POSITION

July 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 71,604
Accounts receivable	41,730

Total current assets 113,334

Fixed assets, net 278,419

Total assets \$ 391,753

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Bank line of credit	\$ 59,797
Accounts payable	5,929
Accrued payroll and benefits	22,835
Deferred revenue	2,500
Current portion of note payable	4,383

Total current liabilities 95,444

Note payable, less current portion 16,139

Total liabilities 111,583

Commitments -

NET ASSETS

Unrestricted	197,968
Temporarily restricted	82,202

Total net assets 280,170

Total liabilities and net assets \$ 391,753

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, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Tuition and fees:			
John McKay scholarships	\$ 917,339	\$ -	\$ 917,339
Tuition	269,363	-	269,363
Gardiner scholarships	285,904	-	285,904
School scholarships	473,639	-	473,639
Grants	-	70,000	70,000
Program income	56,550	-	56,550
	<hr/>	<hr/>	<hr/>
Total tuition and fees	2,002,795	70,000	2,072,795
Other	15,715	-	15,715
In-Kind	32,761	-	32,761
Fundraising	7,510	-	7,510
Net assets released from restrictions	69,760	(69,760)	-
	<hr/>	<hr/>	<hr/>
Total revenue and support	2,128,541	240	2,128,781
EXPENSES			
Program services:			
Academic support	855,339	-	855,339
Student support	941,044	-	941,044
Supporting services:			
Management and general	172,277	-	172,277
Fundraising	54,400	-	54,400
	<hr/>	<hr/>	<hr/>
Total expenses	2,023,060	-	2,023,060
Change in net assets	105,481	240	105,721
Net assets at beginning of year	92,487	81,962	174,449
	<hr/>	<hr/>	<hr/>
Net assets at end of year	\$ 197,968	\$ 82,202	\$ 280,170
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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, 2018

	Program Services		Supporting Services		Total
	Academic Support	Student Support	Management and General	Fundraising	
Payroll	\$ 843,845	\$ 154,507	\$ 142,621	\$ 47,541	\$ 1,188,514
School scholarship	-	473,639	-	-	473,639
Utilities	-	73,507	8,167	-	81,674
Insurance	-	54,083	6,009	-	60,092
Depreciation	-	50,609	5,623	-	56,232
Music and art	-	35,383	-	-	35,383
In-kind	-	29,485	1,638	1,638	32,761
Contract services	-	19,323	3,958	-	23,281
Other expense	-	20,639	2,293	-	22,932
Supplies	-	13,940	734	-	14,674
Textbooks and subscriptions	11,494	-	-	-	11,494
Repairs and maintenance	-	9,399	1,044	-	10,443
Fundraising expense	-	-	-	5,067	5,067
Telephone	-	3,602	190	-	3,792
Advertising	-	2,928	-	154	3,082
	<u>\$ 855,339</u>	<u>\$ 941,044</u>	<u>\$ 172,277</u>	<u>\$ 54,400</u>	<u>\$ 2,023,060</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 105,721
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	56,232
Changes in operating assets and liabilities:	
Increase in accounts receivable	(7,467)
Decrease in accounts payable	(8,465)
Decrease in accrued payroll and benefits	(401)
Decrease in deferred revenue	<u>(39,933)</u>
Net cash provided by operating activities	<u>105,687</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on line of credit	(39,451)
Payments on note payable	<u>(3,873)</u>
Net cash used in financing activities	<u>(43,324)</u>
Increase in cash and cash equivalents	62,363
Cash and cash equivalents, beginning of year	<u>9,241</u>
Cash and cash equivalents, end of year	<u>\$ 71,604</u>
Cash paid for interest	<u>\$ 1,146</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, 2018

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, 2018

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.

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. 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 \$32,761 of donated equipment and services for the year ended July 31, 2018. 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. The School also offers a school scholarship program which totaled \$473,639 for the year ended July 31, 2018, which represents full and partial scholarships to students. This scholarship amount is presented in the financial statements as both revenue and expense.

The Arbor School of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

July 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018.

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 \$2,500 received for fiscal 2019 were deferred as of July 31, 2018.

12. Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended July 31, 2018, was \$3,082.

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 2019 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 October 18, 2018.

NOTE C – FIXED ASSETS

Fixed assets consisted of the following at July 31, 2018:

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>(161,508)</u>
Net fixed assets	<u><u>\$ 278,419</u></u>

Depreciation expense for the year ended July 31, 2018, was \$56,232.

The Arbor School of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

July 31, 2018

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 on the line at July 31, 2018 was \$59,797.

NOTE E – NOTE PAYABLE

Long-term note payable at July 31, 2018 consisted of the following:

Note payable, Seacoast National Bank, \$419 payable monthly, including interest at 3.49%, maturing November 2022, collateralized by equipment.	\$ 20,522
Less current portion:	<u>(4,383)</u>
	<u>\$ 16,139</u>

Annual maturities of note payable for years succeeding July 31, 2018 are as follows:

2019	\$ 4,383
2020	4,539
2021	4,705
2022	4,873
2023	<u>2,022</u>
	<u>\$ 20,522</u>

NOTE F – OPERATING LEASES

The School leases portable units for classroom space under a non-cancelable operating lease agreement, which expires on February 12, 2019. The future minimum lease commitments for the School total \$5,172 for the year ended July 31, 2019. 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.

The Arbor School of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

July 31, 2018

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Net assets released from restrictions during the year ended July 31, 2018, were as follows:

Satisfaction of use and time restrictions:

Malone Family Foundation	\$ 69,760
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Temporarily restricted net assets at July 31, 2018, 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>
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