

Gateway Intermediate Charter School

A Department of Southwest Charter Foundation, Inc.
(A Component Unit of the School
District of Lee County, Florida)

Basic Financial Statements
For the Year Ended June 30, 2019

Gateway Intermediate Charter School

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gateway Intermediate Charter School
A Department of Southwest Charter Foundation, Inc.
Fort Myers, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gateway Intermediate Charter School (the "School"), a Department of Southwest Charter Foundation, Inc. and a component unit of the School District of Lee County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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's Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2019, and the respective changes in financial position, and budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and change in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of Southwest Charter Foundation, Inc. that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of Southwest Charter Foundation, Inc. as of June 30, 2019 and the changes in its financial position or budgetary comparisons, where applicable, for the year ended June 30, 2019 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 9, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Gateway Intermediate Charter School
Management's Discussion and Analysis
June 30, 2019**

As management of Gateway Intermediate Charter School (the "School"), a Department of Southwest Charter Foundation, Inc. and a component unit of the School District of Lee County, Florida (the "School District"), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2019 and 2018.

Management's discussion and analysis is included at the beginning of the School's basic financial statements to provide, in layman's terms, the current position of the School's financial condition. This summary should not be taken as a replacement for the audit which consists of the basic financial statements.

Financial Highlights

Our basic financial statements provide these insights into the results of this year's operations.

- As of June 30, 2019, the School's governmental fund balance was \$ 1,311,489 as compared to \$ 1,661,988 as of June 30, 2018.
- As of June 30, 2019, the School had overall net position of \$ 1,416,500 as compared to \$ 1,738,597 as of June 30, 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide basic financial statements, 2) fund basic financial statements, and 3) notes to the basic financial statements.

Government-Wide Basic Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the School's assets, liabilities, and deferred inflows/outflows of resources, 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 School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and services rendered but unpaid).

The government-wide basic financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The School does not have any business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide basic financial statements can be found on pages 8 and 9 of this report.

Fund Basic 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. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide basic financial statements. However, unlike the government-wide basic financial statements, governmental basic fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The General Fund, Special Revenue Fund and Capital Project Fund are considered to be the School's major funds.

The School adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 10 through 15 of this report.

Agency Fund: In addition, the School has one Agency Fund which is a student activity fund. This fund is formed for education and school purposes.

The Agency Fund financial statement can be found on page 16 of this report.

Notes to Basic Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17 through 25 of this report.

Government-Wide Financial Analysis

The School has been in operation for eleven years; therefore, comparative government-wide data is presented. The School's net position was \$ 1,416,500 at June 30, 2019, of which \$ 126,452 represents net investment in capital assets and \$ 1,290,048 is unrestricted. The School's net position was \$ 1,738,597 at June 30, 2018, of which \$ 94,824 represents net investment in capital assets and \$ 1,643,773 is unrestricted.

**Gateway Intermediate Charter School
Management's Discussion and Analysis
June 30, 2019**

Our analysis in the table below focuses on the net position of the School's governmental activities:

Gateway Intermediate Charter School Net Position		
	June 30, 2019	June 30, 2018
Assets:		
Current and other assets	\$ 2,227,343	\$ 1,570,591
Noncurrent assets	126,452	719,824
Total assets	2,353,795	2,290,415
Liabilities:		
Current liabilities	1,442,352	547,264
Noncurrent liabilities	5,360	4,554
Total liabilities	1,447,712	551,818
Net Position:		
Net investment in capital assets	126,452	94,824
Unrestricted	1,290,048	1,643,773
Total net position	\$ 1,416,500	\$ 1,738,597

Current and other assets increased due to an increase in cash and cash equivalents as well as an increase in the short term portion of the School's loan to related party. Noncurrent assets decreased due to a decrease in the long term portion of the loan to related party. Total liabilities increased mainly due to an increase in the amount owed to the School's management company.

Governmental Activities: The results of this year's operations for the School as a whole are reported in the statement of activities on page 9. The following table provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2019 and 2018:

Gateway Intermediate Charter School Change in Net Position		
	June 30, 2019	June 30, 2018
Revenues:		
General revenues	\$ 5,669,470	\$ 5,871,159
Program revenues	729,955	975,136
Total revenues	6,399,425	6,846,295
Functions/Program Expenses:		
Instruction	2,590,026	2,621,100
Instructional support services	1,690,747	1,524,966
Non-instructional services	1,105,751	608,400
Transfer out	1,334,998	1,335,572
Total governmental activities	6,721,522	6,090,038
Change in net position	\$ (322,097)	\$ 756,257

**Gateway Intermediate Charter School
Management’s Discussion and Analysis
June 30, 2019**

General revenues decreased due to an enrollment decline. Program revenues decreased due to lower capital outlay funding compared to the previous year. Total expenses increased mainly due to higher support center cost reimbursements and management fees.

Governmental Fund Expenditures

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

Functions/Programs	2019		2018	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 2,508,625	46%	\$ 2,531,889	54%
Fiscal services	982,319	18%	492,025	11%
Plant operations and maintenance	587,077	11%	528,357	11%
Transportation	472,526	9%	493,036	11%
Administrative services	283,039	5%	250,998	5%
All other functions/programs	581,340	11%	379,958	8%
Total governmental expenditures	\$ 5,414,926	100%	\$ 4,676,263	100%

Capital Assets

At June 30, 2019, the School had capital assets of \$ 126,452 net of accumulated depreciation, invested in furniture, fixtures and equipment, computer hardware and software and improvements other than buildings as compared to \$ 94,824 at June 30, 2018. A detailed schedule is on page 22 in the footnotes to the basic financial statements.

General Fund Budgetary Highlights

Total revenues for the year ended June 30, 2019 were in line with the budget. The School had a slight enrollment shortfall which was offset by a higher rate per student than anticipated. The School also received unbudgeted Teacher Lead Funding and Educational Facilities and Security funding. Total expenditures were favorable to budget mainly due to savings in instruction, student support services, and pupil transportation services. Overall, the School ended the year with a change in fund balance that was favorable to the budget by approximately \$328,000.

Economic Factors and Next Year’s Budget

In fiscal year 2019, the State of Florida increased its Florida Education Finance Program funding by approximately 2% and the capital outlay funding pool increased to \$ 145 million. In addition, an allocation was given to fund safe schools and mental health initiatives. A 2% merit increase was also paid out to eligible staff.

For fiscal year 2020, capital outlay revenue was assumed at an increase of 2% of the current rate per student. The budgets reflect the Florida Education Finance Program funding increase of \$ 175 per student. A 2% merit increase for all staff was budgeted as well as safety initiatives for security resource officers. All other expenditures are budgeted in alignment with enrollment changes and the School’s strategic objectives.

Requests for Information

If you have any questions about this report or need additional information, please write Lindsey Lennon, Controller - Schools; Charter Schools USA; 800 Corporate Drive, Suite 700; Ft. Lauderdale, Florida 33334.

BASIC FINANCIAL STATEMENTS

Gateway Intermediate Charter School
Statement of Net Position
June 30, 2019

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 1,703,337
Due from Trustee	308,870
Due from other governments	46,114
Interest receivable	2,083
Prepaid items	52,356
Loan to related party	114,583
	<hr/>
Total current assets	2,227,343
Noncurrent Assets:	
Loan to related party	510,417
Capital assets (depreciable), net of accumulated depreciation	126,452
	<hr/>
Total noncurrent assets	636,869
	<hr/>
Total assets	2,864,212
Current Liabilities:	
Accounts payable and accrued liabilities	48,269
Salaries and wages payable	226,968
Due to management company	1,092,796
Due to related parties	58,238
Compensated absences	16,081
	<hr/>
Total current liabilities	1,442,352
Noncurrent Liabilities:	
Compensated absences	5,360
	<hr/>
Total noncurrent liabilities	5,360
	<hr/>
Total liabilities	1,447,712
Commitments (Note 10)	
	-
Net Position:	
Net investment in capital assets	126,452
Unrestricted	1,290,048
	<hr/>
Total net position	\$ 1,416,500
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The accompanying notes to basic financial statements are an integral part of these statements

Gateway Intermediate Charter School
Statement of Activities
For the Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Activities Net Revenue (Expense) and Change in Net Position</u>
Functions/Programs:					
Instruction	\$ 2,590,026	\$ -	\$ 59,501	\$ -	\$ (2,530,525)
Student support services	227,109	-	-	-	(227,109)
Instruction and curriculum development services	3,439	-	-	-	(3,439)
Instructional staff training services	18,138	-	11,041	-	(7,097.00)
Instruction related technology	98,494	-	-	-	(98,494)
Board	22,914	-	-	-	(22,914)
School administration	283,039	-	-	-	(283,039)
Fiscal services	982,319	-	-	-	(982,319)
Central services	100,518	-	110	-	(100,408)
Pupil transportation services	472,526	-	185,389	-	(287,137)
Operation of plant	514,409	-	46,406	427,508	(40,495)
Maintenance of plant	73,593	-	-	-	(73,593)
	<u>\$ 5,386,524</u>	<u>\$ -</u>	<u>\$ 302,447</u>	<u>\$ 427,508</u>	<u>(4,656,569)</u>
Total governmental activities					
General revenues:					
Grants and entitlements					5,597,550
Interest income					67,290
Miscellaneous					4,630
Transfer out					(1,334,998)
Total general revenues and transfers					<u>4,334,472</u>
Change in net position					(322,097)
Net position, July 1, 2018					<u>1,738,597</u>
Net position, June 30, 2019					<u>\$ 1,416,500</u>

The accompanying notes to basic financial statements are an integral part of these statements

**Gateway Intermediate Charter School
Balance Sheet - Governmental Funds
June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 1,703,337	\$ -	\$ -	\$ 1,703,337
Due from Trustee	308,870	-	-	308,870
Due from other governments	5,415	9,990	30,709	46,114
Due from other funds	40,699	-	-	40,699
Interest receivable	2,083	-	-	2,083
Prepaid items	52,356	-	-	52,356
Loan to related party	625,000	-	-	625,000
	<u>2,737,760</u>	<u>9,990</u>	<u>30,709</u>	<u>2,778,459</u>
Total assets	\$ <u>2,737,760</u>	\$ <u>9,990</u>	\$ <u>30,709</u>	\$ <u>2,778,459</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 48,269	\$ -	\$ -	\$ 48,269
Salaries and wages payable	226,968	-	-	226,968
Due to management company	1,092,796	-	-	1,092,796
Due to other funds	-	9,990	30,709	40,699
Due to related parties	58,238	-	-	58,238
	<u>1,426,271</u>	<u>9,990</u>	<u>30,709</u>	<u>1,466,970</u>
Total liabilities	<u>1,426,271</u>	<u>9,990</u>	<u>30,709</u>	<u>1,466,970</u>
Commitments (Note 9)	-	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid items	52,356	-	-	52,356
Loan to related party	510,417	-	-	510,417
Assigned to subsequent year's budget	183,676	-	-	183,676
Unassigned	565,040	-	-	565,040
	<u>1,311,489</u>	<u>-</u>	<u>-</u>	<u>1,311,489</u>
Total fund balances	<u>1,311,489</u>	<u>-</u>	<u>-</u>	<u>1,311,489</u>
Total liabilities and fund balances	\$ <u>2,737,760</u>	\$ <u>9,990</u>	\$ <u>30,709</u>	\$ <u>2,778,459</u>

The accompanying notes to basic financial statements are an integral part of these statements

**Gateway Intermediate Charter School
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2019**

Total Fund Balances of Governmental Funds \$ 1,311,489

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Cost of capital assets	\$	957,923	
Less accumulated depreciation		<u>(831,471)</u>	126,452

Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences		<u>(21,441)</u>	
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Net Position of Governmental Activities \$ 1,416,500

The accompanying notes to basic financial statements are an integral part of these statements

**Gateway Intermediate Charter School
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Revenues:				
State sources	\$ 5,851,195	\$ 24,622	\$ 427,508	\$ 6,303,325
Local sources	96,100	-	-	96,100
Total revenues	<u>5,947,295</u>	<u>24,622</u>	<u>427,508</u>	<u>6,399,425</u>
Expenditures:				
Instruction	2,499,797	8,828	-	2,508,625
Student support services	227,109	-	-	227,109
Instruction and curriculum development services	3,439	-	-	3,439
Instructional staff training services	7,097	11,041	-	18,138
Instruction related technology	98,494	-	-	98,494
Board	22,914	-	-	22,914
School administration	283,039	-	-	283,039
Fiscal services	982,319	-	-	982,319
Central services	100,408	110	-	100,518
Pupil transportation services	472,526	-	-	472,526
Operation of plant	513,484	-	-	513,484
Maintenance of plant	73,593	-	-	73,593
Capital outlay	110,728	-	-	110,728
Total expenditures	<u>5,394,947</u>	<u>19,979</u>	<u>-</u>	<u>5,414,926</u>
Excess (deficiency) of revenues over expenditures	<u>552,348</u>	<u>4,643</u>	<u>427,508</u>	<u>984,499</u>
Other Financing Sources (Uses):				
Transfers out	(907,490)	(4,643)	(427,508)	(1,339,641)
Transfer in	4,643	-	-	4,643
Total other financing sources (uses)	<u>(902,847)</u>	<u>(4,643)</u>	<u>(427,508)</u>	<u>(1,334,998)</u>
Net change in fund balances	(350,499)	-	-	(350,499)
Fund Balances, July 1, 2018	<u>1,661,988</u>	<u>-</u>	<u>-</u>	<u>1,661,988</u>
Fund Balances, June 30, 2019	<u>\$ 1,311,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,311,489</u>

The accompanying notes to basic financial statements are an integral part of these statements

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019**

Net Change in Fund Balances - Governmental Funds \$ (350,499)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are depreciated over their estimated useful lives as provision for depreciation.

Cost of capital assets	\$	110,728	
Provision for depreciation		<u>(79,100)</u>	31,628

Certain items reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences			<u>(3,226)</u>
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Change in Net Position of Governmental Activities \$ (322,097)

The accompanying notes to basic financial statements are an integral part of these statements

**Gateway Intermediate Charter School
Statement of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
State sources	\$ 5,889,701	\$ 5,851,195	\$ (38,506)
Local sources	59,101	96,100	36,999
Total revenues	<u>5,948,802</u>	<u>5,947,295</u>	<u>(1,507)</u>
Expenditures:			
Instruction	2,674,657	2,499,797	174,860
Student support services	317,070	227,109	89,961
Instructional media services	19,433	-	19,433
Instruction and curriculum development services	3,000	3,439	(439)
Instructional staff training services	-	7,097	(7,097)
Instruction related technology	138,476	98,494	39,982
Board	15,709	22,914	(7,205)
School administration	284,964	283,039	1,925
Fiscal services	987,443	982,319	5,124
Food services	1,687	-	1,687
Central services	87,463	100,408	(12,945)
Pupil transportation services	528,051	472,526	55,525
Operation of plant	533,687	513,484	20,203
Maintenance of plant	101,893	73,593	28,300
Capital outlay	84,762	110,728	(25,966)
Total expenditures	<u>5,778,295</u>	<u>5,394,947</u>	<u>383,348</u>
Excess (deficiency) of revenues over expenditures	<u>170,507</u>	<u>552,348</u>	<u>381,841</u>
Other Financing Sources (Uses):			
Transfer out	(848,898)	(907,490)	(58,592)
Transfer in	-	4,643	4,643
Total other financing sources (uses)	<u>(848,898)</u>	<u>(902,847)</u>	<u>(53,949)</u>
Net change in fund balance	<u>\$ (678,391)</u>	<u>\$ (350,499)</u>	<u>\$ 327,892</u>

The accompanying notes to basic financial statements are an integral part of these statements

**Gateway Intermediate Charter School
Statement of Revenues and Expenditures
Budget and Actual - Special Revenue Fund
For the Year Ended June 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Federal sources:			
Title II	\$ 20,346	\$ 19,979	\$ (367)
Emergency Impact Aid	-	4,643	4,643
	<u>20,346</u>	<u>24,622</u>	<u>4,276</u>
Total revenues			
	<u>20,346</u>	<u>24,622</u>	<u>4,276</u>
Expenditures:			
Instruction	7,098	8,828	(1,730)
Instructional staff training services	13,248	11,041	2,207
Central services	-	110	(110)
	<u>20,346</u>	<u>19,979</u>	<u>367</u>
Total expenditures			
	<u>20,346</u>	<u>19,979</u>	<u>367</u>
Excess (deficiency) of revenues over expenditures	-	4,643	4,643
Other Financing Sources (Uses):			
Transfer out	-	(4,643)	(4,643)
	<u>-</u>	<u>(4,643)</u>	<u>(4,643)</u>
Net change in fund balance	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The accompanying notes to basic financial statements are an integral part of these statements

Gateway Intermediate Charter School
Statement of Assets and Liabilities - Agency Fund
June 30, 2019

	<u>Student Activity</u>
Assets:	
Cash	\$ <u>8,836</u>
Total assets	\$ <u><u>8,836</u></u>
Liabilities:	
Due to students	\$ <u>8,836</u>
Total liabilities	\$ <u><u>8,836</u></u>

The accompanying notes to basic financial statements are an integral part of these statements

Note 1 - Organization and Operations

Southwest Charter Foundation, Inc. (the "Foundation"), formerly known as The Lee Charter Foundation, Inc., was organized in September 2001 as a Florida nonprofit corporation. Gateway Intermediate Charter School (the "School") is a Department of the Foundation and was originally established as a charter school for students from fifth through eighth grade in Lee County. There were 877 students enrolled for the 2018/2019 school year.

The basic financial statements of Gateway Intermediate Charter School, a Department of Southwest Charter Foundation, Inc. and component unit of the School District of Lee County, Florida, present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of the Southwest Charter Foundation, Inc. as of June 30, 2019, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The School's basic financial statements do not include the activity or accounts of Lee County Community Charter Schools, LLC (Note 10), an entity created to fund the purchase of the facility housing a portion of the School's operations. Accordingly, these basic financial statements only include balances, activity and disclosures related to the School.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring School District, the Lee County School District. The current charter is effective until June 2023 and may be renewed in increments of five years by mutual written agreement between the School and the School District. At the end of the term of the charter, the School District may choose not to renew the charter under grounds specified in the charter in which case the School District is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the School District may also terminate the charter if good cause is shown. Gateway Intermediate Charter School is considered a component unit of the School District.

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the basic financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable which would require inclusion in the School's basic financial statements.

Basis of presentation: Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide - Not-for-Profit Organizations and provisions of Section 228.056, Florida Statutes the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide financial statements: Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Note 2 - Summary of Significant Accounting Policies (continued)

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund financial statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

General Fund - This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

Special Revenue Fund - This fund is used to account for federal grants and certain state grants that are legally restricted to expenditures for particular purposes.

Capital Project Fund - This fund is used to account for state and local capital outlay funding that is legally restricted to expenditures for particular purposes.

Additionally, the School reports separately the following fiduciary fund type:

Agency Fund - This fund is used to administer funds raised and earned by the various clubs and activities that are part of the School.

Basis of accounting: Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within sixty days of the end of the current period. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Note 2 - Summary of Significant Accounting Policies (continued)

The Agency Fund has no measurement focus but utilizes the accrual basis of accounting for reporting.

Cash and cash equivalents: The School considers all demand accounts and money market funds which are not subject to withdrawal restrictions to be cash and cash equivalents.

The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk (Note 3).

Prepaid items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Due to and due from other funds: Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Revenue recognition: Student funding is provided by the State of Florida through the School District. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements. This funding is received on a prorata basis over a twelve month period and is adjusted for changes in full-time equivalent (FTE) student population.

Income taxes: The School is a department of a nonprofit corporation. Revenue of the School is derived primarily from other governmental entities. The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these basic financial statements.

Capital assets: Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with an initial cost of \$ 750 and useful life of over one year. Donated property and equipment are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all capital assets is provided on the straight-line basis over the estimated useful lives as follows:

Furniture, fixtures and equipment	5 years
Computer hardware and software	3 years
Improvements other than buildings	5 years

Deferred outflows/inflows of resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

Note 2 - Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Unearned revenue: Unearned revenue arises when the School receives resources before it has a legal claim to them.

Compensated absences: The School's policy permits employees to accumulate earned paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Payments for compensated absences are generally paid out of the General Fund.

Net position: Net position is classified in three categories. The general meaning of each is as follows:

- Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation reduced by any outstanding balances of borrowings used for the acquisition, construction or improvement of those assets.
- Restricted - consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - indicates that portion of net position that is available to fund future operations.

Fund balance: The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

- Nonspendable - this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted - this classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.

Note 2 - Summary of Significant Accounting Policies (continued)

- Committed - this classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.
- Assigned - this classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.
- Unassigned - this classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet on page 10.

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budget: An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements.

Date of Management Review: The School has evaluated subsequent events through September 9, 2019, which is the date that the financial statements were available to be issued.

Note 3 - Cash and Cash Equivalents

At June 30, 2019, the carrying amount of the deposits and cash on hand totaled \$ 1,712,173 with a bank balance of \$ 1,718,836.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as "qualified public depositories" as defined by Chapter 280 of the Florida Statutes. This Statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the Treasurer is defined by the Statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool as the School has identified itself as a public entity at June 30, 2019.

**Gateway Intermediate Charter School
Notes to Basic Financial Statements
June 30, 2019**

Note 4 - Due From Trustee

Due from Trustee at June 30, 2019 consists of \$ 308,870 due to the School for accrued interest and revenues from Lee County School District (Note 10).

Note 5 - Loan to Related Party

As of June 30, 2019, Six Mile Charter Academy owes the School \$ 625,000 for general working capital purposes. The loan is to be repaid over a period of six years with interest at 4.0%.

Note 6 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2019 are as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets, depreciable:				
Furniture, fixtures and equipment	\$ 414,388	\$ 27,888	\$ -	\$ 442,276
Computer hardware and software	428,182	82,840	-	511,022
Improvements other than buildings	<u>4,625</u>	<u>-</u>	<u>-</u>	<u>4,625</u>
Total capital assets, depreciable	<u>847,195</u>	<u>110,728</u>	<u>-</u>	<u>957,923</u>
Accumulated depreciation:				
Furniture, fixtures and equipment	342,106	45,768	-	387,874
Computer hardware and software	406,873	32,407	-	439,280
Improvements other than buildings	<u>3,392</u>	<u>925</u>	<u>-</u>	<u>4,317</u>
Total accumulated depreciation	<u>752,371</u>	<u>79,100</u>	<u>-</u>	<u>831,471</u>
Net capital assets	<u>\$ 94,824</u>	<u>\$ 31,628</u>	<u>\$ -</u>	<u>\$ 126,452</u>

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$ 78,175
Operation of plant	<u>925</u>
	<u>\$ 79,100</u>

Note 7- Due To Related Parties

The School is a Department of Southwest Charter Foundation, Inc. ("SCF"). As of June 30, 2019, the School owes SCF \$ 1,721 for board of directors' expenses.

The School, Gateway Charter School ("GCS") and Gateway Charter High School ("GCHS") are related, as they all share common board membership and are Departments of SCF. The School, GCS and GCHS also share facilities space, teachers and administrative staff, as well as other operating expenses. As of June 30, 2019, the basic financial statements include an amount due to GCS in the amount of \$ 11,961 and an amount due to GCHS of \$ 44,556.

Note 8 - Employee Benefit Plan

During the year ended June 30, 2019, the School offered all of its full-time employees who had attained 21 years of age, a retirement plan (the "Plan") under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of his/her annual gross compensation, subject to certain limitations. The Plan provides for a discretionary employer matching contribution of the participant's annual elective deferral to the Plan. As determined annually by the School's management, the School may also make a discretionary profit sharing contribution, which is allocated among the participants based on a pro rata formula. Participants are immediately vested in their own contributions and earnings on those contributions. Participants become vested in School contributions and earnings on School contributions according to the following schedule:

<u>Years of Service</u>	<u>Vesting Percentage</u>
1	25%
2	50%
3	75%
4	100%

Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to reduce any employer contribution. For the year ended June 30, 2019, the School contributed a matching amount of \$ 9,565.

Note 9 - Long-Term Liabilities

Changes in the School's long-term liabilities for the fiscal year ended June 30, 2019, are as follows:

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 18,215	\$ 10,371	\$ 7,145	\$ 21,441	\$ 16,081

Note 10 - Commitments

Management agreement: The School has a formal agreement through June 2027 with Charter Schools USA at Lehigh Acres, LC, a wholly owned subsidiary of Charter Schools USA, Inc. ("CSUSA") to manage, staff and operate the School. All staff of the School are employees of CSUSA. The agreement states that CSUSA will receive cost reimbursements and management fees (the "fee") in annual amounts based on the fee schedule which includes the School, Gateway Charter School, Gateway Charter High School, Six Mile Academy Charter School and Cape Coral Charter School or the budgeted amount approved by the Board of Directors based on enrollment and School performance. Total cost reimbursements and management fees amounted to \$ 2,919,032 for the year ended June 30, 2019. The amount of the fee allocated to and paid by the School for the year ended June 30, 2019 was \$ 980,160.

The School also has an amount due to CSUSA of \$ 1,092,796 at June 30, 2019 for expenses paid on behalf of the School.

Note 10- Commitments (continued)

Lease agreements: In 2007, the Lee County Industrial Development Authority (the "Authority") issued \$ 80,250,000 in Tax Exempt Industrial Development Revenue Bonds, Series 2007A and \$ 1,645,000 in Taxable Industrial Development Revenue Bonds, Series 2007B pursuant to an indenture of trust between the Authority and a trustee to make a loan to Lee County Community Charter Schools, LLC (the "LLC") to finance the acquisition of the facilities of four charter schools under the Southwest Charter Foundation, Inc. (the "Foundation").

In August 2012, the Lee County Industrial Development Authority (the "Authority") issued \$ 20,685,000 in Tax Exempt Industrial Development Revenue Bonds, Series 2012A and \$ 2,120,000 in Taxable Industrial Development Revenue Bonds, Series 2012A pursuant to an indenture of trust between the Authority and a trustee to make a loan to Lee County Community Charter Schools, LLC (the "LLC") to finance or refinance the acquisition of certain facilities of the charter schools under the Southwest Charter Foundation, Inc. (the "Foundation").

Pursuant to the loan agreements, the Authority loaned the proceeds of the Bonds to the LLC. In order to secure the payment of the principal and interest on the Bonds, the Authority assigned all of its rights and interest in the loan agreements to the trustee. The Bonds are payable from and secured by a lien upon and pledge of payments to be received by the trustee.

The School is committed to pay for a portion of its facility to the LLC (Note 13). The payments and term of the commitment are based on the debt service requirements of the Bonds. These payments are made from revenues received from the School District of Lee County for the operation of the schools. The Foundation is obligated under the indenture to deposit all charter revenues received from the School District and additional revenues, if any, directly with the trustee during the term of the commitment. The payments are applied by the trustee to make sinking fund payments and pay for operating expenses.

Post-retirement benefits: The School does not provide post-retirement benefits to retired employees.

Note 11 - Capital Appropriations Funding

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes those funds are allocated among eligible charter schools. The funds for the School's allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring district. The School's CSCO Award totaled \$ 427,508 for the 2018/2019 school year which has been recognized as revenue in the accompanying basic financial statements. If the CSCO funds are used to acquire tangible property assets, the School District has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School District. The School has elected to use these funds to pay a portion of the lease expense on the facility.

Note 12 - Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies including, but not limited to, general liability and errors and omissions insurance. There were no claims in excess of insurance coverage limits during the past three years. As disclosed in Note 10, CSUSA employs all of the employees of the School. As a result, the School is not exposed to medical or workers' compensation claims for these individuals.

Note 13 - Transfer Out

In 2007 and 2012, a majority of the Schools governed by the Southwest Charter Foundation, Inc. were involved in bond issuances for the financing and acquisition of facilities for the Schools to occupy (Notes 6 and 10). The Schools pay amounts under the indenture of trust which are considered their portion of principal and interest payments on the Bonds. Because this School was not a separate entity apart from the Gateway Charter School at the time the transaction was initially recorded as a capital lease in the other Schools involved, there is a "Transfer out" of \$ 1,334,998 in the government-wide statement of activities and the statement of revenues, expenditures and changes in fund balances for the School's portion of the debt payments. Of this amount, \$ 1,251,387 was transferred for the 2007 Bonds and \$ 83,611 was transferred for the 2012 Bonds.

OTHER INDEPENDENT
AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S 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 of Directors
Gateway Intermediate Charter School
A Department of Southwest Charter Foundation, Inc.
Fort Myers, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gateway Intermediate Charter School (the "School"), a Department of Southwest Charter Foundation, Inc. and a component unit of the School District of Lee County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 9, 2019

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Gateway Intermediate Charter School
A Department of Southwest Charter Foundation, Inc.
Fort Myers, Florida

Report on the Financial Statements

We have audited the basic financial statements of Gateway Intermediate Charter School (the "School"), a Department of Southwest Charter Foundation, Inc. and a component unit of the School District of Lee County, Florida, as of and for the year ended June 30, 2019, and have issued our report thereon dated September 9, 2019.

Auditor's Responsibility

We conducted our 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 and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 9, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we 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 recommendations made in the preceding audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity and the school code assigned by the Florida Department of Education are Gateway Intermediate Charter School and 364261.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School 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, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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 our audit, we did not have any such findings.

Purpose of this Letter

Our 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 and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 9, 2019