

**THE HEIGHTS CHARTER SCHOOL, INC.**  
**(A Component Unit of the School District**  
**of Lee County, Florida)**

**BASIC FINANCIAL STATEMENTS**  
**TOGETHER WITH REPORTS OF**  
**INDEPENDENT AUDITOR**

**YEAR ENDED**  
**JUNE 30, 2019**

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## **Independent Auditor's Report**

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To the Board of Directors  
The Heights Charter School, Inc.  
Fort Myers, Florida

### ***Report of the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, and each major fund, of The Heights Charter School, Inc. (the "School"), (a nonprofit organization), 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 the 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 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, 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

#### ***Affiliations***

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**\*By Appointment Only**

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 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 financial position of the governmental activities and each major fund of the School as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As described further in Note G to the financial statements, a prior period adjustment was made to the net position of the School in the government-wide financial statements for \$14,020 to correct prior year accounting errors. These errors consisted of understatements of grants receivable, capital assets, accumulated depreciation, accounts payable, accrued expenses, and other liabilities. In addition, a prior period adjustment was made to fund balance in the governmental funds for (\$8,110) to correct prior year accounting errors. These errors consisted of understatements of grants receivable, accounts payable, accrued expenses, and other liabilities. Our opinion is not modified with respect to this matter.

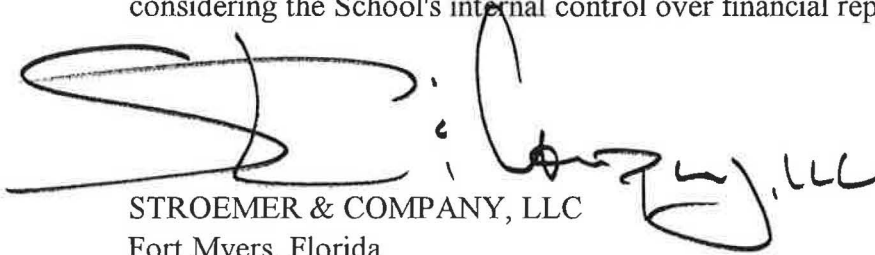
### *Other Matter*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, 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 August 22, 2019, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

A handwritten signature in black ink, appearing to read 'Stroemer & Company, LLC', is written over the printed name of the firm.

STROEMER & COMPANY, LLC  
Fort Myers, Florida  
August 22, 2019

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS  
(UNAUDITED)**

**THE HEIGHTS CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2019**

Our discussion and analysis of The Heights Charter School, Inc.'s (the "School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the School's financial statements, which begin on page 9.

***Financial Highlights***

- At June 30, 2019, the School's net position increased by \$1,772. This includes prior period adjustments of \$14,020 relating to accounting errors in grants receivable, accounts payables, accrued expenses, other liabilities and capital assets.
- At June 30, 2019, the School's fund balance decreased by \$9,290. This includes period adjustments of (\$8,110) relating to accounting errors in grants receivable, accounts payables, accrued expenses, and other liabilities.

***Overview of 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 financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

***Government-Wide 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 and liabilities, with the residual amount being 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 government's net position changed during the most recent fiscal 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.

*Overview of Financial Statements, continued*

The government-wide 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 include instruction and instruction support services.

*Fund 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. The School has one fund category: Governmental funds.

*Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a 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 governmental fund's balance sheet and statement of revenues, expenditures and changes in fund balance balances provide detailed information about the School's most significant funds. The School reports activity in one fund, the general fund, which is reported as a major fund.

The School adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

*Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided on pages 15-25.



**THE HEIGHTS CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2019**

*Government-Wide Financial Analysis*

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position.

Key components of the School's net position are reflected in the following table:

	Net Position June 30,	
	<u>2019</u>	<u>2018</u>
<b>Assets:</b>		
Current and other assets	\$ 43,290	\$ 43,931
Capital assets, net of depreciation	<u>50,351</u>	<u>61,419</u>
Total assets	93,641	105,350
<b>Liabilities:</b>		
Current liabilities	<u>27,239</u>	<u>26,700</u>
Total liabilities	27,239	26,700
<b>Net position:</b>		
Net investment in capital assets	50,351	61,419
Unrestricted	<u>16,051</u>	<u>17,231</u>
Total net position	<u>\$ 66,402</u>	<u>\$ 78,650</u>

The School's net position reflects its investment in capital assets (e.g. furniture and equipment, and computer equipment); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. The School has no debt and no restricted net position.

**THE HEIGHTS CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2019**

*Government-Wide Financial Analysis, continued*

Key elements of the change in net position are reflected in the following table:

	Changes in Net Position Years ended June 30,	
	<u>2019</u>	<u>2018</u>
Revenues:		
General revenues	\$ 800,463	\$ 638,508
Program revenues	139	178
Total revenues	<u>800,602</u>	<u>638,686</u>
Functions/Program Expenses:		
Instruction	379,498	244,548
Instructional support services	285,860	267,938
Non-instructional services	147,492	93,308
Total expenses	<u>812,850</u>	<u>605,794</u>
Change in net position	(12,248)	32,892
Net position - beginning of year	<u>78,650</u>	<u>45,758</u>
Net position - end of year	<u>\$ 66,402</u>	<u>\$ 78,650</u>

*General Fund Expenditures*

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

<u>Function/Program</u>	<u>2019</u>		<u>2018</u>	
	<u>Expenditures</u>	<u>Percent</u>	<u>Expenditures</u>	<u>Percent</u>
Governmental expenditures:				
Instructional expenditures	\$ 379,498	47.3%	\$ 244,548	40.8%
Administrative services	119,735	14.9%	111,040	18.5%
Plant operations and maintenance	147,492	18.4%	93,308	15.6%
Debt service	-	0.0%	-	0.0%
Other programs	155,057	19.3%	149,897	25.0%
Total governmental expenditures	<u>\$ 801,782</u>	<u>100.0%</u>	<u>\$ 598,793</u>	<u>100.0%</u>

***General Budgeting Highlights***

The budget for the general fund for the year ended June 30, 2019, was developed based on the School's anticipated revenues and expenditures, based on the expected student population and FTE funding provided by the Florida Education Finance Program.

Revenues were under budget by \$24,704 due primarily to state and local support being lower than anticipated. Expenses were under budget by \$13,682 due to a combination of savings in budgeted items in functional areas, with the exception of instruction, exceptional education, and food service.

***Capital Assets and Debt Administration***

***Capital Assets***

At June 30, 2019, the School had \$74,875 invested in infrastructure improvements for its governmental activities. In the government-wide financial statements, accumulated depreciation is \$24,524, which results in a net book value of \$50,351. More detailed information about the School's capital assets is presented in Note D to the financial statements.

***Debt Administration***

The School has no debt as of June 30, 2019.

***Economic Factors and Next Year's Budget***

The State increased its Florida Education Finance Program funding for the year ending June 30, 2019 approximately 67%. The School's budgeted revenues and expenditures are based on this increase and the anticipated increase in enrollment.

***Request for Information***

The financial report is designed to provide a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

The Heights Charter School, Inc.  
Attn: Debra Mathinos  
15570 Hagie Drive  
Fort Myers, Florida 33908

**BASIC FINANCIAL STATEMENTS**

**THE HEIGHTS CHARTER SCHOOL, INC.**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 40,811
Grants receivable	2,479
Capital assets:	
Depreciable, net	<u>50,351</u>
TOTAL ASSETS	93,641
<b>LIABILITIES</b>	
Accounts payable	1,597
Accrued expenses	19,261
Other liabilities	<u>6,381</u>
TOTAL LIABILITIES	27,239
<b>NET POSITION</b>	
Investment in capital assets	50,351
Unrestricted	<u>16,051</u>
TOTAL NET POSITION	<u>\$ 66,402</u>

The accompanying notes are an integral part of this statement.

**THE HEIGHTS CHARTER SCHOOL, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Total
Instruction	\$ 379,498	\$ -	\$ -	\$ -	\$ (379,498)
Exceptional education	35,253	-	-	-	(35,253)
Instruction related technology	26,262	-	-	-	(26,262)
School board	20,767	-	-	-	(20,767)
School administration	123,675	-	-	-	(123,675)
Food services	79,903	139	-	-	(79,764)
Operation of plant	147,492	-	-	-	(147,492)
	<u>\$ 812,850</u>	<u>\$ 139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (812,711)</u>
General revenues:					
Grants and entitlements					791,727
Miscellaneous income					<u>8,736</u>
Change in net position					<u>(12,248)</u>
NET POSITION					
July 1, 2018, as previously reported					64,630
Prior period adjustment					<u>14,020</u>
NET POSITION					
July 1, 2018, as restated					<u>78,650</u>
NET POSITION					
June 30, 2019					<u>\$ 66,402</u>

The accompanying notes are an integral part of this statement.

**THE HEIGHTS CHARTER SCHOOL, INC.**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2019**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 40,811
Grants receivable, net	<u>2,479</u>
TOTAL ASSETS	<u>\$ 43,290</u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 1,597
Accrued expenses	19,261
Other liabilities	<u>6,381</u>
TOTAL LIABILITIES	<u>27,239</u>
 <b>FUND BALANCE</b>	
Unassigned	<u>16,051</u>
TOTAL FUND BALANCE	<u>16,051</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 43,290</u>

The accompanying notes are an integral part of this statement.

**THE HEIGHTS CHARTER SCHOOL, INC.**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2019**

	<u>Amount</u>
Total governmental fund balance	\$ 16,051
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.</p>	
Capital assets being depreciated	74,875
Accumulated depreciation	<u>(24,524)</u>
	<u>50,351</u>
Total net position of governmental activities	<u>\$ 66,402</u>

The accompanying notes are an integral part of this statement.



**THE HEIGHTS CHARTER SCHOOL, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**Year ended June 30, 2019**

	<u>General Fund</u>
<b>REVENUES</b>	
State sources	\$ 709,373
Local sources	82,354
Miscellaneous revenues	<u>8,875</u>
<b>TOTAL REVENUES</b>	<b>800,602</b>
 <b>EXPENDITURES</b>	
Instruction	379,498
Exceptional education	35,253
Instruction related technology	19,134
School board	20,767
School administration	119,735
Food services	79,903
Operation of plant	<u>147,492</u>
<b>TOTAL EXPENDITURES</b>	<b><u>801,782</u></b>
 <b>NET CHANGE IN FUND BALANCE</b>	 <b>(1,180)</b>
Fund balance - July 1, 2018, as previously reported	25,341
Prior period adjustment	<u>(8,110)</u>
Fund balance - July 1, 2018, as restated	<u>17,231</u>
Fund balance - June 30, 2019	<u>\$ 16,051</u>

The accompanying notes are an integral part of this statement.

**THE HEIGHTS CHARTER SCHOOL, INC.**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**June 30, 2019**

	<u>Amount</u>
Net change in fund balance - total governmental funds	\$ (1,180)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However in the statement of Activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.</p>	
Expenditures for capital assets	-
Less: depreciation expense	<u>(11,068)</u>
Change in net position of governmental activities	<u>\$ (12,248)</u>

**NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

*Organization*

The Heights Charter School, Inc. (the "School") is a not-for-profit corporation organized in November 2015 pursuant to Chapter 617, Florida Statutes, and Section 1002.33, Florida Statutes. The School is located in Fort Myers, Florida.

*Basis of Presentation*

The financial statements of the School have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

The basic financial statements of The Heights Charter School, Inc., a component unit of the School District of Lee County, Florida (the "District"), present only the balances, activity, and disclosures related to the School. The basic financial statements do not purport to, and do not, present fairly the financial position of the School District of Lee County, Florida.

*Charter Contract*

The School operates under a charter granted by the District. The current charter is effective until June 30, 2021, and may be renewed by mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the 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 District may also terminate the charter if good cause is shown. The School is considered a component unit of the 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 reporting entity's basic financial statements to be misleading or incomplete.

**NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

*Charter Contract, continued*

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.

*Government-Wide and Fund Financial Statements*

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and the fund basic financial statements categorize primary activities as either governmental or business-type. All of the School's activities are classified as governmental activities. The School has no business-type activities.

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 revenue. 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.

The fund financial statements (balance sheet, and statement of revenues, expenditures and change in fund balances), report detailed information about the School in the governmental funds. The focus of governmental 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.

**NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

*Government-Wide and Fund Financial Statements, continued*

The School has one major governmental fund, 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

*Measurement Focus, Basis of Accounting and Financial Statement  
Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the grantor agency have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

*Assets, Liabilities, and Net Position or Equity*

*Cash and cash equivalents*

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

*Prepaid expenses*

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

**NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

*Assets, Liabilities, and Net Position or Equity, continued*

Due to/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 good and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting systems, 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, and is net of a 5% administrative fee retained by the District. This funding is received on a pro rata basis over a twelve-month period and is adjusted for changes in the full-time equivalent student population.

Income taxes

The Internal Revenue Service has determined the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is a not-for-profit Florida corporation and therefore is not subject to state income taxes. The Internal Revenue Code provides for taxation of unrelated business taxable income under certain circumstances. The School reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities.

Capital Assets

Capital assets are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
 POLICIES, CONTINUED**

*Assets, Liabilities, and Net Position or Equity, continued*

Capital Assets, continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Furniture and equipment	5
Computer equipment	3

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Unearned Revenue

Unearned revenue represents resources that have been received, but not yet earned.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

*Assets, Liabilities, and Net Position or Equity, continued*

Long-Term Obligations, continued

Compensated absences are included as part of long-term obligations in the accompanying statement of net position. The School's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. A liability is recorded in the general fund only when the liability has matured and is payable as a result of employee resignation or retirement.

Deferred Outflows of Resources

The statement of net position reports, as applicable, a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The School does not have any of this type of item at June 30, 2019.

Deferred Inflows of Resources

The statement of net position reports, as applicable, a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any of this type of item at June 30, 2019.

Fund Equity/Net Position

Net position in the government-wide financial statements represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is categorized as net investment in capital assets, restricted, or unrestricted. Net investment in capital assets represents assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net position represents the net position restricted for debt service. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.



**NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

*Assets, Liabilities, and Net Position or Equity, continued*

*Fund Equity/Net Position, continued*

In accordance with GASB No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", the School has policies governing the following fund balance classifications:

Nonspendable - This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external providers, or through enabling legislation.

Committed - This classification includes amounts that are constrained for specific purposes imposed by the School's Board.

Assigned - This classification consists of amounts that the Board intends to be used for specific purposes, but are neither restricted nor committed.

Unassigned - this classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

For all governmental funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

***Other Disclosures***

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

*Other Disclosures, continued*

Budget

An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of the Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements, except for the reporting of the 5% administrative fee retained by the District.

Subsequent Events

Management has assessed subsequent events through August 22, 2019, the date on which the financial statements were available to be issued.

**NOTE B DEPOSITS AND INVESTMENTS**

*Deposits*

The School's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

At June 30, 2019, the carrying amount of the deposits and cash on hand totaled \$40,811, and the corresponding bank balance was \$41,197.

**THE HEIGHTS CHARTER SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE C GRANTS RECEIVABLE**

Grants receivable consists of the following at June 30, 2019:

	<u>Amount</u>
Title I	<u>\$ 2,479</u>

Management believes all grant receivables to be 100% collectible and has made no allowance for uncollectible accounts.

**NOTE D CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2019 is as follows:

	<u>Restated Balance 7/01/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/2019</u>
Capital assets, being depreciated:				
Furniture and equipment	\$ 7,252	\$ -	\$ -	\$ 7,252
Computer equipment	<u>67,623</u>	<u>-</u>	<u>-</u>	<u>67,623</u>
Total capital assets, being depreciated	<u>74,875</u>	<u>-</u>	<u>-</u>	<u>74,875</u>
Less accumulated depreciation:				
Furniture and equipment	(1,864)	(1,119)	-	(2,983)
Computer equipment	<u>(11,592)</u>	<u>(9,949)</u>	<u>-</u>	<u>(21,541)</u>
Total accumulated depreciation	<u>(13,456)</u>	<u>(11,068)</u>	<u>-</u>	<u>(24,524)</u>
Capital assets, net	<u>\$ 61,419</u>	<u>\$ (11,068)</u>	<u>\$ -</u>	<u>\$ 50,351</u>

Depreciation expense is charged to the following function:

Instruction related technology	\$ 7,128
School administration	<u>3,940</u>
	<u>\$ 11,068</u>

**NOTE E · OPERATING LEASES**

As of June 30, 2019, operating leases consist of the following:

- A sixty-two (62) month operating lease for the use of the building, furniture and fixtures out of which the School operates. The lease expires on June 30, 2021 and has an automatic renewal clause which both parties must provide written consent to at least ninety (90) days prior to the expiration of the agreement. The lease calls for annual payments of \$56,000 with increases for years starting July 1, 2018 (\$66,000) and July 1, 2019 (\$76,000).
- A lease with an equipment company for a minimum of three years, expiring in June 2020. The lease calls for monthly payments of \$1,365.

Future payments under the leases are as follows:

Year Ending June 30,	Amount
2020	\$ 92,380
2021	76,000
	\$ 168,380

Lease payments for the year ended June 30, 2019 were \$85,244.

**NOTE F · PENSION PLAN**

The School has a defined contribution pension plan covering all eligible employees. Under the plan, the School matches employee contributions of up to 3% based on the employee's qualified compensation and length of service of 1 year.

For the year ended June 30, 2019, the School's contribution, including administrative costs, to the plan was \$5,256.

**NOTE G · PRIOR PERIOD ADJUSTMENTS**

A prior period adjustment was made to the net position of the School in the government-wide financial statements for \$14,020 to correct prior year accounting errors. These errors consisted of understatements of grants receivable, capital assets,

**NOTE G PRIOR PERIOD ADJUSTMENTS, CONTINUED**

accumulated depreciation, accounts payable, accrued expenses, and other liabilities. In addition, a prior period adjustment was made to fund balance in the governmental funds for (\$8,110) to correct prior year accounting errors. These errors consisted of understatements of grants receivable, accounts payable, accrued expenses, and other liabilities.

**NOTE H RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The School has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past two years.

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER THAN MD&A**

**THE HEIGHTS CHARTER SCHOOL, INC.**  
**BUDGET TO ACTUAL COMPARISON**  
**SCHEDULE - GENERAL FUND**  
**Year ended June 30, 2019**

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
<b>REVENUES</b>			
State sources	\$ 723,856	\$ 709,373	\$ (14,483)
Local sources	100,900	82,354	(18,546)
Miscellaneous revenues	<u>550</u>	<u>8,875</u>	<u>8,325</u>
Total revenues	825,306	800,602	(24,704)
<b>EXPENDITURES</b>			
Instruction	371,892	379,498	7,606
Exceptional education	28,437	35,253	6,816
Instruction related technology	18,500	19,134	634
School board	20,205	20,767	562
School administration	140,354	119,735	(20,619)
Food services	75,740	79,903	4,163
Operation of plant	<u>160,336</u>	<u>147,492</u>	<u>(12,844)</u>
Total expenditures	<u>815,464</u>	<u>801,782</u>	<u>(13,682)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>9,842</u>	<u>(1,180)</u>	<u>(11,022)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 9,842</u>	<u>\$ (1,180)</u>	<u>\$ (11,022)</u>
Fund balance - beginning of year, as previously reported		25,341	
Prior period adjustment		<u>(8,110)</u>	
Fund balance - end of year, as restated		<u>\$ 16,051</u>	

**ADDITIONAL REPORTS OF  
INDEPENDENT AUDITOR  
AND  
MANAGEMENT LETTER**





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**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***

Board of Directors  
The Heights Charter School, 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, and each major fund of The Heights Charter School, Inc., as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise The Heights Charter School, Inc.'s basic financial statements, and have issued our report thereon dated August 22, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Heights Charter School, Inc.'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 Heights Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Heights Charter School, Inc.'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

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\*By Appointment Only

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 the 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 Heights Charter 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 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.



STROEMER & COMPANY, LLC

Fort Myers, Florida

August 22, 2019



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**Management Letter Required by Chapter 10.850 of the  
Rules of the Auditor General for the State of Florida**

Board of Directors  
The Heights Charter School, Inc.  
Fort Myers, Florida

**Report on the Financial Statements**

We have audited the financial statements of The Heights Charter School, Inc. (the "School"), as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated August 22, 2019.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated August 22, 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 are no prior audit findings.

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**Official Title**

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is The Heights Charter School, Inc.

**Financial Condition**

Section 10.854(1)(e)2 and 10.855(11), Rules of the Auditor General, require that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions 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 address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

**Transparency**

Section 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, requires that we report 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.

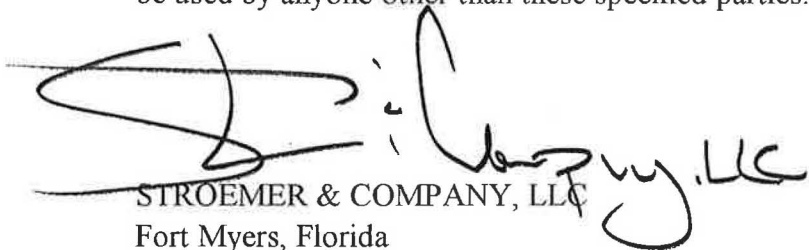
**Additional Matters**

Section 10.854(1)(4)4., Rules of the Auditor General, requires that we address 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, as applicable, the Board of Directors of The

Heights Charter School, Inc. and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Stroemer & Company, LLC". The signature is stylized and somewhat illegible, with a large initial "S" and "C" and a flourish at the end.

STROEMER & COMPANY, LLC

Fort Myers, Florida

August 22, 2019