

A decorative border of colored pencils surrounds the text. At the top, there are three pencils: brown, green, and red. On the left side, there are four pencils: yellow, blue, red, and green. On the right side, there are two pencils: blue and yellow. At the bottom, there are three pencils: brown, yellow, and blue. In the bottom right corner, there is a teal pencil holder containing several colored pencils.

Children's Reading Center Charter School

An Elementary School Program of Children's Reading Center, Inc.

A component unit of the Putnam County District School Board

Financial Statements And Independent Auditors' Reports

June 30, 2020 and 2019

KATTELL AND COMPANY, P.L.

Certified Public Accountants Serving the Nonprofit Community

**808-B NW 16th Avenue
Gainesville, Florida 32601**

(352) 395-6565

Financial Statements and Independent Auditors' Reports

June 30, 2020 and 2019

Children's Reading Center Charter School

A component unit of the Putnam County District School Board

Contents

| | |
|---|-----|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS: | |
| Statements of Financial Position | 2 |
| Statements of Activities | 3 |
| Statements of Functional Expenses | 4 |
| Statements of Cash Flows | 5 |
| Notes to the Financial Statements | 6-9 |
| ADDITIONAL REQUIRED ELEMENTS: | |
| Management Letter | 10 |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 11 |
| Schedule of Findings | 12 |
| Response to Findings | 13 |

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 352-395-6565 kattell.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Children's Reading Center Charter School

August 19, 2020

Report on the Financial Statements

We have audited the accompanying statements of financial position of Children's Reading Center Charter School (the School), a component unit of the Putnam County District School Board, as of June 30, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements, which collectively comprise the School's financial statements as listed in the table of contents.

The School is a program of Children's Reading Center, Inc. As discussed in Note 1 to the financial statements, these special purpose financial statements are those of the School only, and are not intended to be a complete presentation of financial position, changes in net assets and cash flows of Children's Reading Center, Inc.

Management's Responsibility for the Financial Statements. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 School'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 School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion. In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2020, on our consideration of the School's internal control over financial reporting (internal control) 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control 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 and compliance.

Kattell and Company, P.L.

"Not everything that counts can be counted, and not everything that can be counted counts."

-Albert Einstein

Statements of Financial Position
June 30, 2020 and 2019
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

| | 2020 | 2019 |
|---|----------------------------|----------------------------|
| Assets | | |
| Cash | \$ 308,294 | \$ 1,015,716 |
| Grants Receivable | 57,447 | 39,211 |
| Prepaid Expenses | 26,431 | 7,780 |
| Prepaid Rent | 125,000 | 125,000 |
| Investments | 500,020 | -- |
| Capital Assets: | | |
| Furniture and Equipment | 297,115 | 253,062 |
| Leasehold Improvements | 282,307 | 199,117 |
| Improvements other than Building | 102,501 | 59,802 |
| Computer Software | 6,361 | 6,361 |
| Less: Accumulated Depreciation | <u>(366,171)</u> | <u>(321,525)</u> |
| Net Capital Assets | <u>322,113</u> | <u>196,817</u> |
| Total Assets | <u>\$ 1,339,305</u> | <u>\$ 1,384,524</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Current Liabilities: | | |
| Retirement Payable | \$ 108,752 | \$ 96,033 |
| Accounts Payable and Accrued Expenses | <u>27,128</u> | <u>75,703</u> |
| Total Current Liabilities: | 135,880 | 171,736 |
| Net Assets: | | |
| Without Donor Restrictions: | | |
| Investment in Property and Equipment | 322,113 | 196,817 |
| Other | <u>881,312</u> | <u>1,015,971</u> |
| Total Without Donor Restrictions | <u>1,203,425</u> | <u>1,212,788</u> |
| Total Liabilities and Net Assets | <u>\$ 1,339,305</u> | <u>\$ 1,384,524</u> |

See accompanying notes.

Statements of Activities
For Years Ended June 30, 2020 and 2019
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-----------------------------------|-----------------------------------|
| Contributions: | | |
| Florida Education Finance Program | \$ 1,715,339 | \$ 1,726,769 |
| Federal Grants | 105,372 | 76,000 |
| Capital Outlay Funds | 122,510 | 120,286 |
| ERATE Grant | 23,797 | 13,834 |
| Other State Sources | 63,378 | 52,880 |
| Other Contributions | 7,617 | 11,117 |
| Other Revenues | 17,676 | 26,694 |
| Interest Income | <u>198</u> | <u>327</u> |
| Total Revenue | 2,055,887 | 2,027,907 |
| Expenses: | | |
| Program Services | 1,952,673 | 1,870,598 |
| General and Administrative | <u>62,577</u> | <u>32,157</u> |
| Total Expenses | <u>2,015,250</u> | <u>1,902,755</u> |
| Revenues in Excess of Expenses | 40,637 | 125,152 |
| Transfer to CRC, Inc. | <u>(50,000)</u> | <u>--</u> |
| Change in Net Assets | (9,363) | 125,152 |
| Net Assets, Beginning | <u>1,212,788</u> | <u>1,087,636</u> |
| Net Assets, End | <u><u>\$ 1,203,425</u></u> | <u><u>\$ 1,212,788</u></u> |

See accompanying notes.

Statements of Functional Expenses
For Years Ended June 30, 2020 and 2019
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

| 2020 | | | |
|----------------------------------|---------------------|-------------------------------|---------------------|
| | Program Services | General and Administrative | Total |
| Salaries, Taxes and Benefits | \$ 1,576,734 | \$ 13,574 | \$ 1,590,308 |
| Curriculum and Materials | 83,174 | -- | 83,174 |
| Depreciation | 43,567 | 2,293 | 45,860 |
| Insurance | 15,811 | 832 | 16,643 |
| Occupancy | 148,639 | 6,818 | 155,457 |
| Office Supplies | 35,797 | 965 | 36,762 |
| Professional Fees | 17,332 | 38,095 | 55,427 |
| Transportation | 31,619 | -- | 31,619 |
| Total Functional Expenses | \$ 1,952,673 | \$ 62,577 | \$ 2,015,250 |

| 2019 | | | |
|----------------------------------|---------------------|-------------------------------|---------------------|
| | Program Services | General and Administrative | Total |
| Salaries, Taxes and Benefits | \$ 1,470,939 | \$ 7,055 | \$ 1,477,994 |
| Curriculum and Materials | 61,935 | -- | 61,935 |
| Depreciation | 41,922 | 2,206 | 44,128 |
| Insurance | 15,677 | 825 | 16,502 |
| Occupancy | 170,341 | 6,250 | 176,591 |
| Office Supplies | 17,772 | 495 | 18,267 |
| Professional Fees | 56,760 | 15,326 | 72,086 |
| Transportation | 35,252 | -- | 35,252 |
| Total Functional Expenses | \$ 1,870,598 | \$ 32,157 | \$ 1,902,755 |

See accompanying notes.

Statements of Cash Flows
June 30, 2020 and 2019
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

| | 2020 | 2019 |
|--|-------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | \$ (9,363) | \$ 125,152 |
| Adjustments to Reconcile Change in Net Assets to Net Cash | | |
| Provided by Operating Activities: | | |
| Net Gain on Investment | (20) | -- |
| Depreciation | 45,860 | 44,128 |
| Transfer to CRC, Inc. | 50,000 | -- |
| Changes In: | | |
| Receivables | (18,236) | (22,282) |
| Prepays | (18,651) | (1,504) |
| Accounts Payable and Accrued Expenses | (35,856) | 62,872 |
| | 13,734 | 208,366 |
| Net Cash Provided by Operating Activities | 13,734 | 208,366 |
| Cash Flows from Investing Activities: | | |
| Purchase of Fixed Assets | (171,156) | (52,955) |
| Purchase of Annuity | (500,000) | -- |
| | (671,156) | (52,955) |
| Net Cash Provided by (Used In) Investing Activities | (671,156) | (52,955) |
| Cash Flows from Financing Activities: | | |
| Transfer to CRC, Inc. | (50,000) | -- |
| | (50,000) | -- |
| Net Increase (Decrease) in Cash | (707,422) | 155,411 |
| Cash, Beginning | 1,015,716 | 860,305 |
| Cash, End | \$ 308,294 | \$ 1,015,716 |

See accompanying notes.

Notes to the Financial Statements
June 30, 2020 and 2019
Children’s Reading Center Charter School
A component unit of the Putnam County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Children’s Reading Center, Inc. is a not-for-profit corporation organized in 1999 pursuant to Chapter 617, Florida Statutes and the Florida Not-for-Profit Corporation Act. In 2003, the Children’s Reading Center, Inc. began operating Children’s Reading Center Charter School (the “School”), an elementary school in Palatka, Florida. These special purpose financial statements are those of the School only, and are not intended to present the financial position, changes in net assets or cash flows of Children’s Reading Center, Inc. In accordance with the provisions of paragraph 10.855(3), Rules of the Auditor General, these special purpose financial statements are prepared in accordance with the provisions of the Financial Accounting Standards Board as applicable to not-for-profit organizations.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Putnam County District School Board (the “District”). The current charter is effective until June 30, 2030 and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. 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 90 days prior to the charter’s expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. 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 taught 242 and 247 students for the years ended June 30, 2020 and 2019, respectively, in grades K-5.

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and are presented using accounting principles generally accepted in the United States of America, as applicable for not-for-profit corporations. (U.S. GAAP)

Tax Exempt Status

Children’s Reading Center, Inc. and its programs are exempt from income taxes according to provisions of Section 501(c)(3) of the Internal Revenue Code and the School has not earned any unrelated business income. Therefore, the School has no provision for federal income taxes. In addition, the Children’s Reading Center, Inc. has been classified by the Internal Revenue Service as an organization that is not a private foundation and qualifies for the charitable contribution deduction. The School is operated exclusively for charitable, scientific and educational purposes; specifically, the operation of a charter school in Putnam County, Florida.

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits in qualified public depositories and the bank has identified the School’s deposits as public deposits.

Investments

Investments are reported at fair value.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of 3-15 years.

Net Assets

Investment in Property and Equipment. This amount is computed as Capital Assets less depreciation.

Notes to the Financial Statements
June 30, 2020 and 2019
Children’s Reading Center Charter School
A component unit of the Putnam County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Revenue Recognition - Contributions

Student Funding. Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent students (FTEs) and related data to the District. Under the provisions of Florida Statutes, the District reports the number of FTEs and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under FEFP and the actual weighted FTEs reported by the School during the designated full-time equivalent student survey periods. FEFP funding is paid to the School monthly. All amounts are reported as revenue within the fiscal year.

Government Grants. The School receives financial assistance in the form of government grants that are provided on a cost-reimbursement basis. This assistance is generally based on applications submitted to and approved by the granting agency. Grant revenues are recognized as allowable expenses are incurred.

Contributions. Contributions are recorded at fair value when received.

Revenue Recognition – Contracts with Customers

Other Revenues. The School receives fees from students for field trips, yearbooks and other student fees. These revenues are recognized at a point in time. There are no significant contract assets or liabilities reported in the Statement of Financial Position.

Compensated Absences

Employees earn vacation time which must be used during each fiscal year. Employees may choose to be paid for any unused sick days or to carry forward up to five days. The Organization does not pay for employees’ unused sick time upon termination. The Organization estimates the portion of accumulated sick leave that will be used in subsequent years. No liability is recorded at June 30, 2020 and 2019.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States, requires management to make various estimates. Actual results could differ from those estimates.

Prior Year Information

Certain prior year information may be presented differently in order to conform to the current year presentation.

Functional Allocation of Expenses

The operating expenses of the School are reported in various functional categories. Direct expenses are assigned to the various functional categories based on the purpose achieved by each expense. Salary expense, office, occupancy, insurance and depreciation expenses are allocated to more than one functional category based on management’s estimate of time engaged in each of the functions. Expenses are classified in the following functional categories:

Program Services – Program services consist of direct costs of teaching elementary school students and an allocation of overhead costs.

Management and General – Management and General expenses are those that provide governance, oversight, business and financial management, financial recordkeeping, budgeting, legal, and human resource management services.

Fundraising Expenses – Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Expenses include the cost of publicizing and conducting fundraising campaigns, maintaining donor lists, conducting fundraising events, and any other activities that solicit contributions from corporations, foundations, individuals and others. The School incurs no costs in soliciting contributions.

Notes to the Financial Statements
June 30, 2020 and 2019
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are all financial assets without donor or other restrictions limiting their use. Financial assets consist of the following at June 30:

| | <u>2020</u> | <u>2019</u> |
|-------------------------|-------------------|---------------------|
| Financial Assets | | |
| Cash | \$ 308,294 | \$ 1,015,716 |
| Grants Receivable | 57,447 | 39,211 |
| Total | \$ 365,741 | \$ 1,054,927 |

The School has structured its financial assets to be available as its general expenditures and liabilities come due. The School does not generally experience cash deficits and, therefore, has instituted no mechanism for financing them. The School holds its cash in two checking accounts and has no mechanism for investment of excess cash.

NOTE 3 – INVESTMENTS

The School's investments consist of the following:

| | <u>2020</u> | <u>2019</u> |
|--------------------------|-------------------|--------------|
| Annuity – Contract Value | \$ 500,000 | \$ -- |
| Cash – Reinvested Income | 20 | -- |
| Total | \$ 500,020 | \$ -- |

In December 2019, the School invested \$500,000 in two five-year, fixed annuity agreements with Jackson National Life Insurance Company. The annuities have a guaranteed principal provision and a guaranteed annual interest rate 1.75%. There is a withdrawal charge of 9% for the first year of the annuity. This charge drops by .75% to 1%, alternately, for each of the next four years. The remaining withdrawal penalty of 5.5% is eliminated at the end of five years. Annuities are valued at contract value which approximates fair value. Fair value is measured using Level 2 inputs.

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Depreciation expense is reported as General Support. Capital asset activity was as follows:

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
|----------------------------------|-------------------------------------|-------------------|------------------|--------------------------------------|
| Furniture and Equipment | \$ 253,062 | \$ 45,268 | \$ (1,214) | \$ 297,116 |
| Leasehold Improvements | 199,117 | 83,190 | -- | 282,307 |
| Improvements other than Building | 59,802 | 42,698 | -- | 102,500 |
| Computer Software | 6,361 | -- | -- | 6,361 |
| | 518,342 | 171,156 | (1,214) | 688,284 |
| Accumulated Depreciation | (321,525) | (45,860) | 1,214 | (366,171) |
| Net Capital Assets | \$ 196,817 | \$ 125,296 | \$ -- | \$ 322,113 |
| | | | | |
| | Balance July 1, 2018 | Additions | Deletions | Balance June 30, 2019 |
| Furniture and Equipment | \$ 244,865 | \$ 8,197 | \$ -- | \$ 253,062 |
| Leasehold Improvements | 154,359 | 44,758 | -- | 199,117 |
| Improvements other than Building | 59,802 | -- | -- | 59,802 |
| Computer Software | 6,361 | -- | -- | 6,361 |
| | 465,387 | 52,955 | -- | 518,342 |
| Accumulated Depreciation | (277,397) | (44,128) | -- | (321,525) |
| Net Capital Assets | \$ 187,990 | \$ 8,827 | \$ -- | \$ 196,817 |

Notes to the Financial Statements
June 30, 2020 and 2019
Children’s Reading Center Charter School
A component unit of the Putnam County District School Board

NOTE 5 – RELATED PARTY TRANSACTIONS

The School operates as a program for Children’s Reading Center, Inc. See Note 1. The School paid Children’s Reading Center, Inc., \$115,750 and \$125,000 in rent payments for the years ending June 30, 2020 and 2019, respectively. Also, the School transferred \$50,000 to Children’s Reading Center, Inc. during the year ended June 30, 2020.

NOTE 6 – EMPLOYEE RETIREMENT PLAN

The School participates in a profit-sharing pension plan, a non-contributory defined contribution pension plan for the benefit of substantially all full-time employees, who have completed one year of service. Contributions to the plan are 9.5% and 7% of eligible salaries for the years ending June 30, 2020 and 2019, respectively. Retirement plan contributions amounted to \$108,752 and \$96,033 for the years ended June 30, 2020 and 2019, respectively.

NOTE 7 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have exceeded commercial coverage in the past year by \$20,795, and has not exceeded commercial coverage in the previous two years.

NOTE 8 – OPERATING LEASES

The School entered into an agreement to lease the School’s primary facilities from Children’s Reading Center, Inc. beginning in December of 2007. This agreement was replaced by a Memorandum of Understanding dated September 2013 which extended the agreement through June 30, 2024. This agreement was amended in June 2020, and the lease was extended to April 2033. Payments were \$10,417 per month until December 2019, when payments were lowered to \$9,095 per month. In accordance with the agreement the School advanced first and last years’ rent prior to occupancy; last year's rent has been recorded as prepaid rent. The following schedule displays the composition of future minimum payments and total expense:

| <u>Fiscal Year</u> <u>Ending June 30:</u> | <u>Use of</u> <u>Prepaid</u> | <u>Cash</u> | <u>Total</u> <u>Expense</u> |
|--|---------------------------------|---------------------|--------------------------------|
| 2021 | \$ -- | \$ 109,140 | \$ 109,140 |
| 2022 | -- | 109,140 | 109,140 |
| 2023 | -- | 109,140 | 109,140 |
| 2024 | -- | 109,140 | 109,140 |
| 2025 | -- | 109,140 | 109,140 |
| 2026-2033 | 125,000 | 729,930 | 854,930 |
| Total | <u>\$ 125,000</u> | <u>\$ 1,275,630</u> | <u>\$ 1,400,630</u> |

NOTE 9 – CONTINGENCIES

The School is subject to occasional lawsuits and claims arising in the normal course of business. In the opinion of management, the ultimate disposition of these matters, if any, will not have a significant impact on the financial position of the School.

NOTE 10 – SUBSEQUENT EVENTS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, stock market indices have declined, unemployment rates have increased, and global economic activity has decreased as significant portions of the world observe social distancing. The extent to which these events will affect the amounts reported in future financial statements remains uncertain.

The School evaluated events and transactions for potential recognition or disclosure through August 19, 2020, which is the date the financial statements were available to be issued.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 352-395-6565 kattell.com

MANAGEMENT LETTER

To the Board of Directors,
Children's Reading Center Charter School

August 19, 2020

Report on the Financial Statements. We have audited the financial statements of Children's Reading Center Charter School (the School), as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated August 19, 2020.

Auditors' 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 Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards* and Schedule of Findings. Disclosures in that report and schedule, which are dated August 19, 2020, 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. In that regard, there were no prior year findings.

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 is Children's Reading Center Charter School, and the school code assigned by the Florida Department of Education is 54-0051.

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 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 Web site 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 at July 29, 2020, the date of our procedures.

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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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, the local district school board, the Board of Directors and management of the School, and is not intended to be and should not be used by anyone other than these specified parties.

* * * * *

Thank you for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or any other matters.

Kattell and Company, P.L.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 326061 352-395-6565 kattell.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Children's Reading Center Charter School

We have audited the special purpose financial statements of Children's Reading Center Charter School (the "School"), a component unit of Putnam County District School Board, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 19, 2020. Our report was modified to explain that the School is a program of Children's Reading Center, Inc. and prepares special purpose financial statements that are not intended to be a complete presentation of financial position, changes in net assets and cash flows of Children's Reading Center, Inc. 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.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings as item 2020-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

Response to Finding

The School's response to the finding identified in our audit is described in the accompanying letter. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

* * * * *

As required by the Rules of the Auditor General of the State of Florida, we reported certain matters to management of the School in the attached Management Letter dated August 19, 2020.

Kattell and Company, P.L.

Notes to the Financial Statements
June 30, 2020 and 2019
Children’s Reading Center Charter School
A component unit of the Putnam County District School Board

Finding 2020-001 – Significant Deficiency

Condition. The School made 13 payments of rent to Children’s Reading Center, Inc. for the year ended June 30, 2020.

Criteria. The School should make payments in accordance with terms of agreements and should not make payments in excess of those terms.

Cause. The School made an extra payment in November 2019 and did not detect and correct the duplicate payment in a timely manner.

Effect. The School reported the extra payments as prepaid expense at June 30, 2020 and will be able to correct this mistake in the subsequent fiscal year.



August 19, 2020

To Whom It May Concern:

We read and understand the finding for the 2020 Children's Reading Center Charter School independent financial audit and are taking measures to correct the finding in the future.

Thank you for your assistance with our audit this year.

Sincerely,

A handwritten signature in blue ink that reads "Geri Melosh". The signature is written in a cursive style.

Dr. Geri Melosh
Executive Director

The Children's Reading Center Charter School
7901 St. Johns Avenue • Palatka, FL 32177
Phone: (386) 328-9990 • Fax: (386) 328-2747
Jacqueline England, Principal

"This institution is an equal opportunity provider and employer."