



INTEGRITY.....KNOWLEDGE.....SERVICE.....COMMITMENT®

August 30, 2020

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Heights Charter School, Inc. (the "School") for the year ended June 30, 2020, and have issued our report thereon dated August 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and Governmental Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 24, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of depreciation of property and equipment is based on the estimated useful lives of the assets. We evaluated key factors and assumptions used to develop the estimated useful lives of the assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Affiliations

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The Heights Charter School, Inc.
August 30, 2020
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The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Audit Adjustments

Professional standards require us to accumulate all adjustments identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We are pleased to state there are no adjusting journal entries required.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 30, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The Heights Charter School, Inc.
August 30, 2020
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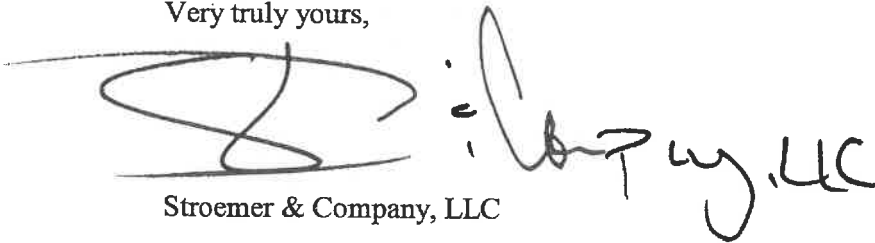
Other Matters

We applied certain limited procedures to Management's Discussion & Analysis and the Statement of Revenue, Expenses and Changes in Fund Balance - Budget to Actual Comparison - General Fund, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquires of management regarding 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 did no audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of The Heights Charter School, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Stroemer & Company, LLC

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, 2020

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INTEGRITY KNOWLEDGE SERVICE COMMITMENT®

Independent Auditor's Report

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, 2020 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 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

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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 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, 2020, 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.

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.

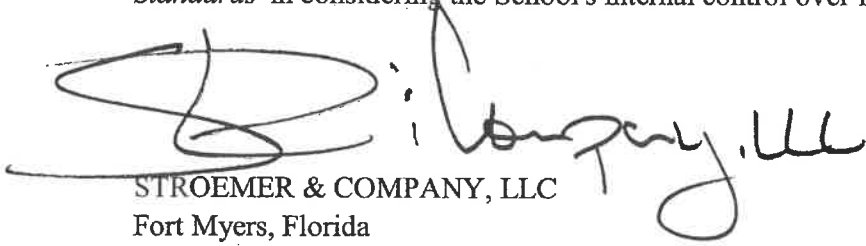
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2020, 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.

The Heights Charter School, Inc.

Page 3

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". The signature is written in a cursive, stylized font with a large initial "S" and "C".

STROEMER & COMPANY, LLC

Fort Myers, Florida

August 30, 2020

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

**THE HEIGHTS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2020**

Page 4 of 30

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, 2020. Please read it in conjunction with the School's financial statements, which begin on page 9.

Financial Highlights

- At June 30, 2020, the School's net position was \$62,097, representing a decrease of \$4,305 for June 30, 2019.
- At June 30, 2020, the School's fund balance was \$23,820, representing an increase of \$7,769 from June 30, 2019.

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 15-24.

**THE HEIGHTS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2020**

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>2020</u>	<u>2019</u>
Assets:		
Current and other assets	\$ 74,164	\$ 43,290
Capital assets, net of depreciation	<u>38,277</u>	<u>50,351</u>
Total assets	112,441	93,641
Liabilities:		
Current liabilities	<u>50,344</u>	<u>27,239</u>
Total liabilities	50,344	27,239
Net position:		
Net investment in capital assets	38,277	50,351
Unrestricted	<u>23,820</u>	<u>16,051</u>
Total net position	<u>\$ 62,097</u>	<u>\$ 66,402</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, 2020

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,	
	2020	2019
Revenues:		
General revenues	\$ 980,855	\$ 800,463
Program revenues	13	139
Total revenues	980,868	800,602
Functions/Program Expenses:		
Instruction	468,942	379,498
Instructional support services	337,099	285,860
Non-instructional services	179,132	147,492
Total expenses	985,173	812,850
Change in net position	(4,305)	(12,248)
Net position - beginning of year	66,402	78,650
Net position - end of year	\$ 62,097	\$ 66,402

General Fund Expenditures

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

Function/Program	2020		2019	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 468,942	48.2%	\$ 379,498	47.3%
Administrative services	145,764	15.0%	119,735	14.9%
Plant operations and maintenance	179,132	18.4%	147,492	18.4%
Debt service	-	0.0%	-	0.0%
Other programs	179,261	18.4%	155,057	19.3%
Total governmental expenditures	\$ 973,099	100.0%	\$ 801,782	100.0%

General Budgeting Highlights

The budget for the general fund for the year ended June 30, 2020, 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 \$97,994 due primarily to state and local support being lower than anticipated. Expenses were under budget by \$38,232 due to a combination of savings in budgeted items in functional areas, with the exception of instruction and instruction related technology.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2020, the School had \$74,875 invested in infrastructure improvements for its governmental activities. In the government-wide financial statements, accumulated depreciation is \$36,598, which results in a net book value of \$38,277. 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, 2020.

Economic Factors and Next Year's Budget

The State increased its Florida Education Finance Program funding for the year ending June 30, 2021 approximately 29%. 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, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 58,000
Grants receivable	199
Prepaid expenses	15,965
Capital assets:	
Depreciable, net	<u>38,277</u>
TOTAL ASSETS	112,441
LIABILITIES	
Accounts payable	12,929
Accrued payroll	37,370
Other liabilities	<u>45</u>
TOTAL LIABILITIES	50,344
NET POSITION	
Investment in capital assets	38,277
Unrestricted	<u>23,820</u>
TOTAL NET POSITION	<u>\$ 62,097</u>

The accompanying notes are an integral part of this statement.

THE HEIGHTS CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total
Instruction	\$ 468,942	\$ -	\$ -	\$ -	\$ (468,942)
Exceptional education	56,712	-	-	-	(56,712)
Instruction related technology	31,812	-	-	-	(31,812)
School board	16,826	-	-	-	(16,826)
School administration	150,062	-	-	-	(150,062)
Food services	81,687	13	-	-	(81,674)
Operation of plant	179,132	-	-	-	(179,132)
	<u>\$ 985,173</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (985,160)</u>
General revenues:					
					979,887
					968
					<u>(4,305)</u>
NET POSITION					
					66,402
NET POSITION					
					<u>\$ 62,097</u>

The accompanying notes are an integral part of this statement.

**THE HEIGHTS CHARTER SCHOOL, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 58,000
Prepaid expenses	15,965
Grants receivable	<u>199</u>
TOTAL ASSETS	<u>\$ 74,164</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 12,929
Accrued payroll	37,370
Other liabilities	<u>45</u>
TOTAL LIABILITIES	<u>50,344</u>
FUND BALANCE	
Unassigned	<u>23,820</u>
TOTAL FUND BALANCE	<u>23,820</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 74,164</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, 2020

	<u>Amount</u>
Total governmental fund balance	\$ 23,820
<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>(36,598)</u>
	<u>38,277</u>
Total net position of governmental activities	<u>\$ 62,097</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, 2020

	<u>General Fund</u>
REVENUES	
State sources	\$ 971,033
Local sources	8,854
Miscellaneous revenues	<u>981</u>
TOTAL REVENUES	980,868
EXPENDITURES	
Instruction	468,942
Exceptional education	56,712
Instruction related technology	24,036
School board	16,826
School administration	145,764
Food services	81,687
Operation of plant	<u>179,132</u>
TOTAL EXPENDITURES	<u>973,099</u>
NET CHANGE IN FUND BALANCE	7,769
Fund balance - July 1, 2019	<u>16,051</u>
Fund balance - June 30, 2020	<u><u>\$ 23,820</u></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, 2020

	<u>Amount</u>
Net change in fund balance - total governmental funds	\$ 7,769
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 cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Expenditures for capital assets	-
Less: depreciation expense	<u>(12,074)</u>
Change in net position of governmental activities	<u>\$ (4,305)</u>

The accompanying notes are an integral part of this statement.

**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.

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

Assets, Liabilities, and Net Position or Equity, continued

Prepaid expenses

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

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.

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

Assets, Liabilities, and Net Position or Equity, continued

Capital Assets, continued

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.

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

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

Assets, Liabilities, and Net Position or Equity, continued

Long-Term Obligations, continued

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.

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, 2020.

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, 2020.

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

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

Other Disclosures, continued

Use of Estimates, continued

and the reported amounts of revenues and expenditures during the reporting period. 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 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 30, 2020, 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, 2020, the carrying amount of the deposits and cash on hand totaled \$58,000, and the corresponding bank balance was \$64,414.

NOTE C - GRANTS RECEIVABLE

Grants receivable consists of the following at June 30, 2020:

	<u>Amount</u>
Local sources	<u>\$ 199</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, 2020 is as follows:

	<u>Balance</u> <u>7/01/2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass-</u> <u>ifications</u>	<u>Balance</u> <u>6/30/2020</u>
Capital assets, being depreciated:					
Furniture and equipment	\$ 7,252	\$ -	\$ -	\$ 3,100	\$ 10,352
Computer equipment	<u>67,623</u>	<u>-</u>	<u>-</u>	<u>(3,100)</u>	<u>64,523</u>
Total capital assets, being depreciated	<u>74,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,875</u>
Less accumulated depreciation:					
Furniture and equipment	(2,983)	(1,429)	-	(724)	(5,136)
Computer equipment	<u>(21,541)</u>	<u>(10,645)</u>	<u>-</u>	<u>724</u>	<u>(31,462)</u>
Total accumulated depreciation	<u>(24,524)</u>	<u>(12,074)</u>	<u>-</u>	<u>-</u>	<u>(36,598)</u>
Capital assets, net	<u>\$ 50,351</u>	<u>\$ (12,074)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,277</u>

Depreciation expense is charged to the following function:

Instruction related technology	\$ 7,776
School administration	<u>4,298</u>
	<u>\$ 12,074</u>

NOTE E - PENSION PLAN

The School has a defined contribution pension plan "Harlem Heights Community Charter School, Inc. 401(K) Plan" ("the 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. The Plan utilizes a 5 year vesting schedule at 20% per year for employer contributions to the Plan with vesting at 100% after the 5 year. If a Plan participant separates from the Plan before being fully vested, an employees unvested portion remains in the Plan as a forfeiture and may be used by the Plan for administration expenses of the Plan or to reduce employer contributions.

For the year ended June 30, 2020, the School's contribution, including administrative costs, to the plan was \$18,336.

NOTE F - 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, 2020

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES			
State sources	\$ 977,412	\$ 971,033	\$ (6,379)
Local sources	100,900	8,854	(92,046)
Miscellaneous revenues	550	981	431
Total revenues	1,078,862	980,868	(97,994)
EXPENDITURES			
Instruction	468,325	468,942	617
Exceptional education	64,955	56,712	(8,243)
Instruction related technology	21,000	24,036	3,036
School board	17,150	16,826	(324)
School administration	159,555	145,764	(13,791)
Food services	83,830	81,687	(2,143)
Operation of plant	196,516	179,132	(17,384)
Total expenditures	1,011,331	973,099	(38,232)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	67,531	7,769	(59,762)
NET CHANGE IN FUND BALANCE			
	\$ 67,531	\$ 7,769	\$ (59,762)
Fund balance - beginning of year		16,051	
Fund balance - end of year		\$ 23,820	

**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, 2020, 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 30, 2020.

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,

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*By Appointment Only

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.

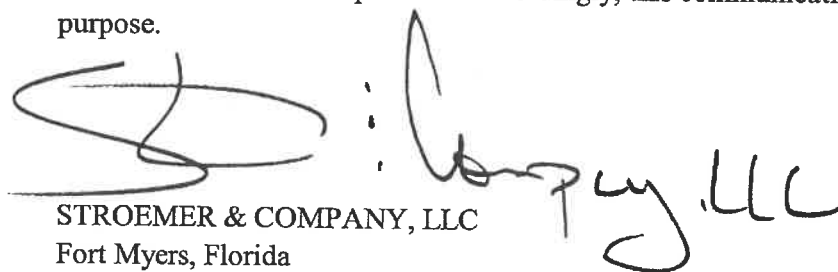
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did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

A handwritten signature in black ink, appearing to read 'Stroemer & Company, LLC', is written over a horizontal line. The signature is stylized and cursive.

STROEMER & COMPANY, LLC
Fort Myers, Florida
August 30, 2020



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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, 2020, and have issued our report thereon dated August 30, 2020.

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 30, 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. 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.

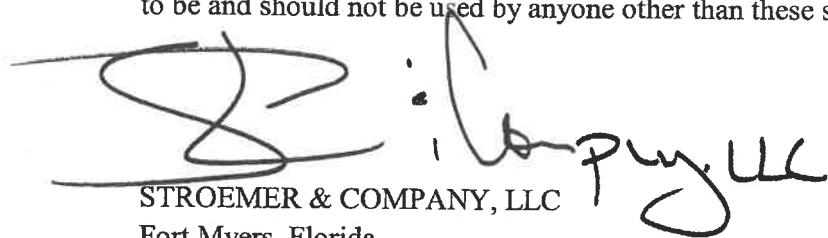
Additional Matters

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 cursive, with a large initial "S" and "C".

STROEMER & COMPANY, LLC
Fort Myers, Florida
August 30, 2020