

A decorative border of colored pencils surrounds the text. The border consists of individual pencils in various colors (brown, green, red, blue, yellow) arranged in a rectangular frame. A teal pencil holder containing several pencils is located in the bottom right corner.

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, 2021 and 2020

KATTELL AND COMPANY, P.L.

Certified Public Accountants Serving the Nonprofit Community

**808-B NW 16th Avenue
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Financial Statements and Independent Auditors' Reports

June 30, 2021 and 2020

Children's Reading Center Charter School

A component unit of the Putnam County District School Board

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INDEPENDENT AUDITORS' REPORT

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

August 31, 2021

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, 2021 and 2020, 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, 2021 and 2020, 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 31, 2021, 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, 2021 and 2020
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

	2021	2020
Assets		
Cash	\$ 501,735	\$ 308,294
Grants Receivable	165,766	57,447
Prepaid Expenses	19,148	26,431
Prepaid Rent	125,000	125,000
Investments	527,287	500,020
Capital Assets:		
Furniture and Equipment	298,264	297,115
Leasehold Improvements	286,157	282,307
Improvements other than Building	106,297	102,501
Computer Software	6,361	6,361
Less: Accumulated Depreciation	<u>(414,287)</u>	<u>(366,171)</u>
Net Capital Assets	<u>282,792</u>	<u>322,113</u>
Total Assets	<u>\$ 1,621,728</u>	<u>\$ 1,339,305</u>
Liabilities and Net Assets		
Liabilities:		
Current Liabilities:		
Retirement Payable	\$ 128,669	\$ 108,752
Accounts Payable and Accrued Expenses	<u>9,743</u>	<u>27,128</u>
Total Current Liabilities:	138,412	135,880
Net Assets:		
Without Donor Restrictions:		
Investment in Property and Equipment	282,792	322,113
Other	<u>1,200,524</u>	<u>881,312</u>
Total Without Donor Restrictions	<u>1,483,316</u>	<u>1,203,425</u>
Total Liabilities and Net Assets	<u>\$ 1,621,728</u>	<u>\$ 1,339,305</u>

See accompanying notes.

Statements of Activities
For Years Ended June 30, 2021 and 2020
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

	<u>2021</u>	<u>2020</u>
Contributions:		
Florida Education Finance Program	\$ 1,747,203	\$ 1,715,339
Federal Grants	301,967	105,372
Capital Outlay Funds	122,066	122,510
ERATE Grant	11,016	23,797
Other State Sources	49,618	63,378
Other Contributions	10,271	7,617
Other Revenues	2,664	17,676
Interest Income	--	198
	<hr/>	<hr/>
Total Revenue	2,244,805	2,055,887
Expenses:		
Program Services	1,951,311	1,952,673
General and Administrative	40,870	62,577
	<hr/>	<hr/>
Total Expenses	1,992,181	2,015,250
Revenues in Excess of Expenses	252,624	40,637
Net Investment Return	27,267	--
Transfer to CRC, Inc.	--	(50,000)
	<hr/>	<hr/>
Change in Net Assets	279,891	(9,363)
Net Assets, Beginning	1,203,425	1,212,788
	<hr/>	<hr/>
Net Assets, End	<u>\$ 1,483,316</u>	<u>\$ 1,203,425</u>

See accompanying notes.

Statements of Functional Expenses
For Years Ended June 30, 2021 and 2020
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

2021			
	Program Services	General and Administrative	Total
Salaries, Taxes and Benefits	\$ 1,578,305	\$ 13,813	\$ 1,592,118
Curriculum and Materials	95,919	--	95,919
Depreciation	45,710	2,406	48,116
Insurance	16,411	864	17,275
Occupancy	159,521	7,142	166,663
Office Supplies	33,994	670	34,664
Professional Fees	14,230	15,975	30,205
Transportation	7,221	--	7,221
Total Functional Expenses	\$ 1,951,311	\$ 40,870	\$ 1,992,181

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

See accompanying notes.

Statements of Cash Flows
June 30, 2021 and 2020
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

	2021	2020
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 279,891	\$ (9,363)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Net Gain on Investment	(27,267)	(20)
Depreciation	48,116	45,860
Transfer to CRC, Inc.	--	50,000
Changes In:		
Receivables	(108,319)	(18,236)
Prepays	7,283	(18,651)
Accounts Payable and Accrued Expenses	2,532	(35,856)
Net Cash Provided by Operating Activities	202,236	13,734
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(8,795)	(171,156)
Purchase of Annuity	--	(500,000)
Net Cash Provided by (Used In) Investing Activities	(8,795)	(671,156)
Cash Flows from Financing Activities:		
Transfer to CRC, Inc.	--	(50,000)
Net Increase (Decrease) in Cash	193,441	(707,422)
Cash, Beginning	308,294	1,015,716
Cash, End	\$ 501,735	\$ 308,294

See accompanying notes.

Notes to the Financial Statements
June 30, 2021 and 2020
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 244 and 242 students for the years ended June 30, 2021 and 2020, 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, 2021 and 2020
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, 2021 and 2020.

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, 2021 and 2020
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

NOTE 2 – INVESTMENTS

The School's investments consist of the following:

	<u>2021</u>	<u>2020</u>
Annuity – Contract Value	\$ 527,267	\$ 500,000
Cash – Reinvested Income	20	20
Total	\$ 527,287	\$ 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 3 – CAPITAL ASSETS AND DEPRECIATION

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

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Furniture and Equipment	\$ 297,115	\$ 1,149	\$ --	\$ 298,264
Leasehold Improvements	282,307	3,850	--	286,157
Improvements other than Building	102,501	3,796	--	106,297
Computer Software	6,361	--	--	6,361
	688,284	8,795	--	697,079
Accumulated Depreciation	(366,113)	(48,116)	--	(414,287)
Net Capital Assets	\$ 322,113	\$ (39,321)	\$ --	\$ 282,792

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Furniture and Equipment	\$ 253,061	\$ 45,268	\$ (1,214)	\$ 297,115
Leasehold Improvements	199,117	83,190	--	282,307
Improvements other than Building	59,803	42,698	--	102,501
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

NOTE 4 – 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., \$117,525 and \$125,000 in rent payments for the years ending June 30, 2021 and 2020, respectively. Also, the School transferred \$50,000 to Children's Reading Center, Inc. during the year ended June 30, 2020.

NOTE 5 – 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 10% and 9.5% of eligible salaries for the years ending June 30, 2021 and 2020, respectively. Retirement plan contributions amounted to \$128,669 and \$108,752 for the years ended June 30, 2021 and 2020, respectively.

Notes to the Financial Statements
June 30, 2021 and 2020
Children’s Reading Center Charter School
A component unit of the Putnam County District School Board

NOTE 6 – 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>2021</u>	<u>2020</u>
Financial Assets		
Cash	\$ 501,735	\$ 308,294
Grants Receivable	165,766	57,447
Investments	<u>527,287</u>	<u>500,020</u>
Total Financial Assets	1,194,788	865,761
Less Investment Withdrawal Penalty	<u>(43,501)</u>	<u>(45,002)</u>
Amount available for general expenditures with one year	<u>\$ 1,151,287</u>	<u>\$ 820,759</u>

The School has structured its financial assets to be available as its general expenditures and liabilities come due. The School holds its cash in two checking accounts. The School does not generally experience cash deficits and, therefore, has instituted no mechanism for financing them. Although the School invested in an annuity in the year ended June 30, 2020, the School has no other mechanism for investment of excess cash.

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 year ending June 30, 2020 by \$20,795, and have not exceeded commercial coverage for the years ended June 30, 2021 and 2019.

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 and in June 2020, was extended to April 2033. The lease calls for payments of \$10,417 per month until March 2032. 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>
2022	\$ --	\$ 125,004	\$ 125,004
2023	--	125,004	125,004
2024	--	125,004	125,004
2025	--	125,004	125,004
2026	--	125,004	125,004
2027-2033	<u>125,000</u>	<u>718,773</u>	<u>843,777</u>
Total	<u>\$ 125,000</u>	<u>\$ 1,343,793</u>	<u>\$ 1,468,797</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.

Notes to the Financial Statements
June 30, 2021 and 2020
Children’s Reading Center Charter School
A component unit of the Putnam County District School Board

NOTE 10 – COMITMENTS

At June 30, 2021, the School had entered into agreements with vendors to purchase approximately \$61,000 of goods and services expected to be delivered after June 30, 2021.

NOTE 11 – SUBSEQUENT EVENTS

The School evaluated events and transactions for potential recognition or disclosure through August 31, 2021, which is the date the financial statements were available to be issued.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

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MANAGEMENT LETTER

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

August 31, 2021

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, 2021, and have issued our report thereon dated August 31, 2021.

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*. Disclosures in that report, which are dated August 31, 2021, 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 current 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 August 25, 2021, 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.

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Certified Public Accountants Serving the Nonprofit Community

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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, 2021, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 31, 2021. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 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 31, 2021.

Kattell and Company, P.L.