

THE HEIGHTS CHARTER SCHOOL, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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**THE HEIGHTS CHARTER SCHOOL, INC.
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of The Heights Charter School, Inc. (the School), a component unit of the School District of Lee County, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors
The Heights Charter School, Inc.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the general fund of The Heights Charter School, Inc. as of June 30, 2021, 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 Matters

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 September 23, 2021, 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Myers, Florida
September 23, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**THE HEIGHTS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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, 2021. Please read it in conjunction with the School's financial statements, which begin on page 8.

Financial Highlights

- At June 30, 2021, the School's net position was \$62,203, representing an increase of \$106 from June 30, 2020.
- At June 30, 2021, the School's fund balance was \$45,157, representing an increase of \$21,337 from June 30, 2020.

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 of 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.

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

**THE HEIGHTS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Overview of Financial Statements (Continued)

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 the Schools' 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 balance 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 provide detailed information about the School's significant fund. 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 through 21.

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 as of June 30 are reflected in the following table:

	2021	2020
ASSETS		
Current and Other Assets	\$ 113,201	\$ 74,164
Capital Assets, Net of Depreciation	17,046	38,277
Total Assets	130,247	112,441
LIABILITIES		
Current Liabilities	68,044	50,344
Total Liabilities	68,044	50,344
NET POSITION		
Net Investment in Capital Assets	17,046	38,277
Unrestricted	45,157	23,820
Total Net Position	\$ 62,203	\$ 62,097

**THE HEIGHTS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Overview of Financial Statements (Continued)

Government-Wide Financial Analysis (Continued)

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.

Key elements of the changes in net position for the years ended June 30 are reflected in the following table:

	<u>2021</u>	<u>2020</u>
REVENUES		
General Revenues	\$ 1,189,121	\$ 980,855
Program Revenues	199,940	13
Total Revenues	<u>1,389,061</u>	<u>980,868</u>
FUNCTIONS/PROGRAM EXPENSES		
Instruction	676,794	468,942
Instructional Support Services	514,845	337,099
Noninstructional Support Services	197,316	179,132
Total Expenses	<u>1,388,955</u>	<u>985,173</u>
CHANGE IN NET POSITION	106	(4,305)
Net Position - Beginning of Year	<u>62,097</u>	<u>66,402</u>
NET POSITION - END OF YEAR	<u>\$ 62,203</u>	<u>\$ 62,097</u>

General Fund Expenditures

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental activities for the years ended June 30:

<u>Function/Program</u>	<u>2021</u>		<u>2020</u>	
	<u>Expenditures</u>	<u>Percent</u>	<u>Expenditures</u>	<u>Percent</u>
Governmental Expenditures:				
Instructional Expenditures	\$ 662,874	48.5%	\$ 468,942	48.2%
Administrative Services	189,238	13.8	145,764	15.0
Plant Operations and Maintenance	192,237	14.1	179,132	18.4
Other Programs	323,375	23.6	179,261	18.4
Total Governmental Expenditures	<u>\$ 1,367,724</u>	<u>100.0%</u>	<u>\$ 973,099</u>	<u>100.0%</u>

General Budgeting Highlights

The budget for the general fund for the year ended June 30, 2021, was developed based on the School's anticipated revenues and expenditures, based on the expected student population and full-time-equivalent funding provided by the Florida Education Finance Program.

**THE HEIGHTS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

General Budgeting Highlights (Continued)

Revenues were under budget by approximately \$306,348 due primarily to state and local support being lower than anticipated. Expenses were under budget by \$63,449 due to a combination of savings in budgeted items in functional areas.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2021, the School had \$51,060 invested in furniture and equipment for its governmental activities, net of accumulated depreciation of \$34,014, which results in a net book value of \$17,046. More detailed information about the School's capital assets is presented in Note 4 to the financial statements.

Debt Administration

The School has no debt as of June 30, 2021.

Economic Factors and Next Year's Budget

The State allocation for its Florida Education Finance Program funding for the year ending June 30, 2022, increased approximately 42%. The School's budgeted revenues and expenditures are based on this increase and the anticipated increase in enrollment.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

**THE HEIGHTS CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 112,635
Grants Receivable	494
Prepaid Items	72
Capital Assets, Net of Accumulated Depreciation	<u>17,046</u>
Total Assets	<u>\$ 130,247</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts Payable	\$ 22,656
Accrued Payroll	45,388
Total Liabilities	<u>68,044</u>
NET POSITION	
Net Investment in Capital Assets	17,046
Unrestricted	<u>45,157</u>
Total Net Position	<u>62,203</u>
Total Liabilities and Net Position	<u>\$ 130,247</u>

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See accompanying Notes to Financial Statements.

**THE HEIGHTS CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Instruction	\$ 676,794	\$ -	\$ -	\$ (598,735)
Exceptional Education	69,544	-	-	(69,544)
Instruction-Related Technology	84,473	-	-	(84,473)
School Board	15,800	-	-	(15,800)
School Administration	192,124	-	-	(192,124)
Facilities	5,079	-	-	(5,079)
Food Services	152,904	-	121,881	(31,023)
Operation of Plant	192,237	-	-	(192,237)
Total Governmental Activities	\$ 1,388,955	\$ -	\$ 199,940	(1,189,016)
GENERAL REVENUES				
School Board of Lee County - Operating				1,114,090
Grants and Entitlements - Unallocated				74,277
Miscellaneous Income				754
Total General Revenues				1,189,121
CHANGE IN NET POSITION				
Net Position - Beginning of Year				106
NET POSITION - END OF YEAR				62,097
				\$ 62,203

See accompanying Notes to Financial Statements.

**THE HEIGHTS CHARTER SCHOOL, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 112,635
Grants Receivable	494
Prepaid Items	<u>72</u>
Total Assets	<u>\$ 113,201</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 22,656
Accrued Payroll	45,388
Total Liabilities	<u>68,044</u>
FUND BALANCE	
Nonspendable	72
Unassigned	<u>45,085</u>
Total Fund Balance	<u>45,157</u>
Total Liabilities and Fund Balance	<u>\$ 113,201</u>

See accompanying Notes to Financial Statements.

**THE HEIGHTS CHARTER SCHOOL, INC.
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balance for Governmental Fund	\$	45,157
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital Assets Being Depreciated		51,060
Accumulated Depreciation		<u>(34,014)</u>
Capital Assets, Net		<u>17,046</u>

Net Position of Governmental Activities	\$	<u>62,203</u>
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See accompanying Notes to Financial Statements.

**THE HEIGHTS CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>
REVENUES	
Federal through State Sources	\$ 199,940
State Sources	1,114,090
Local Sources	74,277
Miscellaneous Revenues	754
Total Revenues	<u>1,389,061</u>
EXPENDITURES	
Instruction	662,874
Exceptional Education	69,544
Instruction-Related Technology	80,048
School Board	15,800
School Administration	189,238
Facilities	5,079
Food Services	152,904
Operation of Plant	192,237
Total Expenditures	<u>1,367,724</u>
NET CHANGE IN FUND BALANCE	21,337
Fund Balance - Beginning of Year	<u>23,820</u>
FUND BALANCE - END OF YEAR	<u>\$ 45,157</u>

See accompanying Notes to Financial Statements.

**THE HEIGHTS CHARTER SCHOOL, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balance - Total Governmental Fund \$ 21,337

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.

Loss on Disposal for Capital Assets	(13,920)
Depreciation Expense	<u>(7,311)</u>

Change in Net Position of Governmental Activities \$ 106

THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Heights Charter School, Inc. (the School) is a nonprofit 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.

Charter Contract

The School operates under a charter granted by the Lee County School District (the District). The current charter is effective until June 30, 2026, 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.

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

Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. The more significant of the School's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and a statement of activities.

The government-wide statements are prepared using the *economic resources measurement focus* and the accrual basis of accounting. This differs from the way governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Government-Wide and Fund Financial Statements (Continued)

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Generally, revenues are considered available when they are collected within the current period or within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as capital outlay expenditures in the fund that acquired the asset.

The School funds its programs by a combination of public charter school revenues derived from the state of Florida, Federal grants, local contributions, and other revenues.

The School has one major governmental fund, as follows:

General Fund

This fund is used to account for the accumulation and expenditure of resources used for general purpose of the School and does not require the establishment of any other type of fund.

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 nonprofit 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.

Prepaid Items

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

Compensated Absences

Employees have eight total paid days of annual leave. If more days of leave are used than have been accrued during the term of the contract, the employee's next paycheck shall be deducted for each missed day as personal leave without pay. Up to five unused paid days of leave can be carried over to the next year. Unused days are not paid out at termination or at the expiration of the contract.

**THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Capital Assets

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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:

Furniture and Equipment	5 Years
Computer Equipment	3 Years

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. The School does not have any of this type of item at June 30, 2021.

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, 2021.

THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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, 2021.

Fund Balance/Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

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 legal 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.

Although the School does not have a formal spending prioritization policy, it is assumed that in instances when expenditures are incurred for purposes for which amounts in either restricted or unrestricted fund balance classifications could be used, restricted fund balance would be spent first. Remaining unrestricted fund balance would be spent as follows: committed amounts would be reduced first, followed by assigned amounts, and then unassigned.

THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses 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.

NOTE 2 CASH AND CASH EQUIVALENTS

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 208, "Florida Security for Public Deposits Act," requires all qualified depositories to deposit with the Treasurer or another banking institution 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, 2021, the carrying amount of the deposits and cash on hand totaled \$112,635, and the corresponding bank balance was \$81,091.

**THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 GRANTS RECEIVABLE

Grants receivable consist of the following at June 30, 2021:

Local Sources	<u>\$ 494</u>
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Management believes all grants receivable to be 100% collectible and has made no allowance for uncollectible accounts.

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital Assets, Being Depreciated:				
Furniture and Equipment	\$ 10,352	\$ -	\$ -	\$ 10,352
Computer Equipment	84,523	-	23,815	40,708
Total Capital Assets, Being Depreciated	74,875	-	23,815	51,060
Less: Accumulated Depreciation:				
Furniture and Equipment	(5,136)	(1,429)	-	(6,565)
Computer Equipment	31,462	(5,882)	9,895	(27,449)
Total Accumulated Depreciation	(36,598)	(7,311)	9,895	(34,014)
Capital Assets, Net	<u>\$ 38,277</u>	<u>\$ (14,621)</u>	<u>\$ 67,419</u>	<u>\$ 17,046</u>

Depreciation expense is charged to the following functions:

Instruction-Related Technology	\$ 4,424
School Administration	2,886
Total	<u>\$ 7,311</u>

NOTE 5 EMPLOYEE BENEFIT 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 makes a matching contribution equal to 100% of the salary deferral that does not exceed 3% plus 50% of the salary deferral between 3% and 5%. The Plan utilizes a five-year vesting schedule at 20% per year for employer contributions to the Plan, with vesting at 100% after the five years. If a Plan participant separates from the Plan before being fully vested, the employee's 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, 2021, the School's contribution, including administrative costs, to the Plan was \$1,027.

THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 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 three years.

NOTE 7 RELATED PARTY

Effective February 15, 2016, the School entered into a five-year operating lease agreement with The Heights Land Company for the rental of the School building. The lease payable to the Land Company for fiscal year 2021 was \$108,000; actual rent expense paid to the Land Company was \$99,334. On May 18, 2021, the School extended the lease agreement for an additional 12 months.

The future minimum base rental payments for this lease are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2022	<u>\$ 108 000</u>

The Heights Center and the School have a mutual verbal agreement where the Heights Center bills the School a percentage of certain employees' salaries, and the School charges Heights Center for a portion of a certain School employee's salary. The total amount the School paid the Heights Center under this agreement for the year ended June 30, 2021, was \$71,371. The total amount the Heights Center paid the School under this agreement for the year ended June 30, 2021, was \$25,000.

NOTE 8 CONTINGENCIES

The School is subject to financial and compliance audits by the granting agency to determine compliance with grant funding requirements. In the event the expenditure would be disallowed, repayment could be required. Government grants require the fulfillment of certain conditions as set forth by applicable laws, rules, and regulations and in the grant agreements. Failure to fulfill the conditions could result in the return of funds to the grantor.

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 may impact various parts of its 2022 operations and financial results. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

**THE HEIGHTS CHARTER SCHOOL, INC.
BUDGET TO ACTUAL COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES			
Federal through State Sources	\$ -	\$ 199,940	\$ 199,940
State Sources	1,380,525	1,114,090	(266,435)
Local Sources	114,444	74,277	(40,167)
Miscellaneous Revenues	500	754	254
Total Revenues	<u>1,495,469</u>	<u>1,389,061</u>	<u>(306,348)</u>
EXPENDITURES			
Instruction	679,609	662,874	(16,735)
Exceptional Education	64,297	69,544	5,247
Instruction-Related Technology	80,285	80,048	(237)
School Board	16,460	15,800	(660)
School Administration	234,038	189,238	(44,800)
Facilities	-	5,079	5,079
Food Services	151,695	152,904	1,209
Operation of Plant	204,789	192,237	(12,552)
Total Expenditures	<u>1,431,173</u>	<u>1,367,724</u>	<u>(63,449)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 64,296</u>	21,337	<u>\$ (242,899)</u>
Fund Balance - Beginning of Year		<u>23,820</u>	
FUND BALANCE - END OF YEAR		<u>\$ 45,157</u>	

COMPLIANCE SECTION



**INDEPENDENT AUDITORS' 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 the general fund of The Heights Charter School, Inc., as of and for the year ended June 30, 2021, 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 September 23, 2021.

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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Heights Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Heights Charter School, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Board of Directors
The Heights Charter School, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Heights Charter School, Inc.'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*.

The Heights Charter School, Inc.'s Response to Findings

The Heights Charter School, Inc. response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Heights Charter School, Inc. 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 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.



CliftonLarsonAllen LLP

Fort Myers, Florida
September 23, 2021

**THE HEIGHTS CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021**

2021-001 – Internal Controls

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the School's ability to ensure financial transactions are authorized and accurate. School management is responsible for establishing and maintaining internal controls for the proper recording of all the School's transactions.

Condition: We noted that the School has inadequate segregation of duties and/or a lack of a formalized internal control environment and policies and procedures in areas related to the review and approval of journal entries, review and approval of bank reconciliations and bank statements, the accounting of capital assets and related transactions, and the review and approval of payroll.

Cause: The School has not established internal controls and policies and procedures to address these areas.

Effect: Inadequate segregation of duties and policies related to reviews and approvals increases the risk that assets could be misappropriated and the financial statements could be misstated.

Recommendation: We recommend that the School establish policies and procedures to ensure that all transactions are reviewed by person separate from the initiator of the transactions. Due to the limited size of the organization, there will be inherent limitations, and in those instances we recommend the Board of Directors provide a supervisory role and review transactions regularly throughout the year.

Management Response: The Business Manager will propose item to the School Board that at each board meeting there will now be an agenda that reads "approve the report of the board treasurer/business manager" or something similar. Board members will examine the board secretary's / business manager's report in detail. In addition, the board should make sure that no major funding line has been over-expended and that there are sufficient funds projected for operations until the end of the fiscal year.

In addition, the Business Manager will propose item to the School Board that at each board meeting there will now be an agenda that reads "approve the bills list," or the equivalent. The Business Manager will provide the Board Treasurer and the Director of Charter School with the Bill Payment List from QuickBooks for presentation and approval at the Board Meeting.

2021-002 –Audit Adjustments

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the School's ability to ensure financial transactions are authorized and accurate. School management is

**THE HEIGHTS CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021**

responsible for establishing and maintaining internal controls for the proper recording of all the School's transactions, including year-end accruals.

Condition: As part of the audit, we proposed audit adjustments to correct the School's financial statements at year-end. These entries included adjustments for accounts payable, accrued payroll, prepaid items, and capital assets. Management has corrected these errors.

Cause: The School's internal controls over financial reporting did not detect or prevent the errors.

Effect: The School's financial records were misstated and we proposed adjusting entries to management to correct the financial statements. The proposed audit adjustments were recorded by management to correct the financial statements.

Recommendation: We recommend that management evaluate internal control processes and procedures to ensure that the School is recording transactions in the proper period and that review of financial information is effective in detecting transactions recorded improperly.

Management Response: Going forward, all journal entries will be approved in writing by the Director of Charter School or by person/persons that the Director of Charter School deems to have sufficient knowledge of the purpose and appropriateness of the journal entry. Approval should be collected and included with documentation before a journal is uploaded.



**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, 2021, and have issued our report thereon dated September 23, 2021.

Auditors' 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 September 23, 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. There are no prior audit findings.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires 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 and the school code assigned by the Florida Department of Education of the entity are The Heights Charter School, Inc. and 4304.

Financial Condition

Sections 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.

Board of Directors
The Heights Charter School, Inc.

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

Sections 10.854(1)(e)7 and 10.855(13) require 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Myers, Florida
September 23, 2021



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

We have audited the financial statements of the governmental activities and the major fund of The Heights Charter School, Inc. as of and for the year ended June 30, 2021, and have issued our report thereon dated September 23, 2021. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Heights Charter School, Inc. are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2021.

We noted no transactions entered into by the entity 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

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. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

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.

Board of Directors
The Heights Charter School Inc.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Corrected misstatements

The attached schedule summarizes all misstatements (material and immaterial) detected as a result of audit procedures that were corrected by management.

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 auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated September 23, 2021.

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 entity's financial statements or a determination of the type of auditors' 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.

Significant issues discussed with management prior to engagement

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

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Board of Directors
The Heights Charter School Inc.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

This communication is intended solely for the information and 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.



CliftonLarsonAllen LLP

Fort Myers, Florida
September 23, 2021

Client: 094-19894999 - The Heights Charter School, Inc.
 Engagement: AUD 2021 - The Heights Charter School, Inc.
 Period Ending: 6/30/2021
 Trial Balance: 0906.00 - TB
 Worksheet:

Account	Description	WSP Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To write off old outstanding accounts payable > 90 days				
780000	Write Offs		5,376.00	
2120	Accounts Payable			5,376.00
Total			<u>5,376.00</u>	<u>5,376.00</u>
Adjusting Journal Entries JE # 2				
To adjust prepaid expenses from prior year to expenses in current year				
5100944	Instruction:Basic Instruction:Basic Instruction - Computer Hardware, Non-Capitalized		4,274.00	
1230	Prepaid Expenditures			4,274.00
Total			<u>4,274.00</u>	<u>4,274.00</u>
Adjusting Journal Entries JE # 3				
To remove computer equipment incorrectly capitalized				
1349	Capital Assets:Accumulated Depreciation - FFE		9,895.00	
5100944	Instruction:Basic Instruction:Basic Instruction - Computer Hardware, Non-Capitalized		13,920.00	
1340	Capital Assets:Furniture, Fixtures & Equipment			23,815.00
Total			<u>23,815.00</u>	<u>23,815.00</u>
Adjusting Journal Entries JE # 4				
To record current year depreciation expense				
5100780	Depreciation Expense - Basic Education		7,311.00	
1349	Capital Assets:Accumulated Depreciation - FFE			7,311.00
Total			<u>7,311.00</u>	<u>7,311.00</u>
Adjusting Journal Entries JE # 6				
To record Debra Mathison and Melissa Badow June salary expense				
5100120	Instruction:Basic Instruction:Basic Instruction - Teacher Salaries		833.00	
5100210	Instruction:Basic Instruction:Basic Instruction - Retirement		23.00	
5100220	Instruction:Basic Instruction:Basic Instruction - FICA		93.00	
5100290	Instruction:Basic Instruction:Basic Instruction - Group Insurance		148.00	
7300110	General Support Services:School Administration (Office of the Principal):School Administration - Administrator		3,765.00	
7300210	General Support Services:School Administration (Office of the Principal):School Administration - Retirement		151.80	
7300220	General Support Services:School Administration (Office of the Principal):School Administration - FICA		288.00	
7300230	General Support Services:School Administration (Office of the Principal):School Administration - Group Insurance		430.00	
2120	Accounts Payable			5,711.00
Total			<u>5,711.00</u>	<u>5,711.00</u>
Adjusting Journal Entries JE # 7				
To correct administrative salaries included in accrual at year end				
2110	Current Liabilities:Accrued Salaries & Benefits		9,393.00	
7300110	General Support Services:School Administration (Office of the Principal):School Administration - Administrator			9,393.00
Total			<u>9,393.00</u>	<u>9,393.00</u>
Total Adjusting Journal Entries			<u>55,889.00</u>	<u>55,889.00</u>
Total All Journal Entries			<u>55,889.00</u>	<u>55,889.00</u>

Client: 000-1000000 - The Heights Charter School, Inc.
 Engagement: AUD 2021 - The Heights Charter School, Inc.
 Period Ending: 6/30/2021
 Trial Balance: 0000.00 - TB
 Worksheet:

Account	Description	WIP Ref	Debit	Credit
Reclassifying Journal Entries				
Reclassifying Journal Entries JE 9 8				
To adjust accumulated depreciation and fund balance to agree to PY audited F/S				
2000	Retained Earnings		12,074.00	
1348	Capital Assets/Accumulated Depreciation - FFE	3000.02		12,074.00
Total			<u>12,074.00</u>	<u>12,074.00</u>
	Total Reclassifying Journal Entries		<u>12,074.00</u>	<u>12,074.00</u>
	Total All Journal Entries		<u>12,074.00</u>	<u>12,074.00</u>

SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT
The Heights Charter School, Inc.
Governmental Activities
Year Ended June 30, 2021

UNCORRECTED ADJUSTMENTS	Effect of misstatements on:				Net
Description	Assets	Liabilities	Net Position	Expense/Revenue and Change in Net Position	Net Expense/Revenue and Change in Net Position
To adjust accounts payable to correct prior year credits	\$ -	\$ -	\$ -	\$ -	5,376
Adjustment to capital assets to correct amounts that were capitalized in error in the prior year	-	-	-	-	(13,920)
Net current year misstatements (Iron Curtain Method)	-	-	-	-	(8,544)
Net prior year misstatements	-	-	(8,544)	(8,544)	8,544
Combined current and prior year misstatements (Rollover Method)	-	-	(8,544)	(8,544)	-
Financial statement totals	130,247	68,044	62,203	62,203	106
Current year misstatement as a % of financial statement totals (Iron Curtain Method)					-8060%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)				-14%	
INADEQUATE DISCLOSURES					
Description					Amount (If Applicable)

N/A

SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT
The Heights Charter School, Inc.
General Fund
Year Ended June 30, 2021

Description	Effect of misstatements on:				Net Expense/Revenue and Change in Net Position / Fund Balance
	Assets	Liabilities	Fund Balance / Net Position		
To adjust accounts payable to correct prior year credits	\$ -	\$ -	\$ -	\$ -	5,376
Net current year misstatements (Iron Curtain Method)	-	-	-	-	5,376
Net prior year misstatements	-	-	5,376	5,376	(5,376)
Combined current and prior year misstatements (Rollover Method)	\$ -	\$ -	\$ 5,376	\$ -	-
Financial statement totals	113,201	68,044	45,157	21,337	-
Current year misstatement as a % of financial statement totals (Iron Curtain Method)					25%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)				12%	
INADEQUATE DISCLOSURES					Amount (If Applicable)
N/A					



HARLEM HEIGHTS

Community Charter School

15570 Hagie Drive Fort Myers, FL 33908
239-887-3607

September 23, 2021

CliftonLarsonAllen LLP
12800 University Drive, Suite 210
Fort Myers, FL 33907

This representation letter is provided in connection with your audit of the financial statements of The Heights Charter School, Inc., which comprise the respective financial position of the governmental activities and the general fund, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of September 23, 2021, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 28, 2021, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We acknowledge and have fulfilled our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.

The Harlem Heights Community Charter School, Inc. is a 501(C)3 corporation, Federal Tax ID# 81-0760151. The School admits students of any race, color, national origin, and all ethnic origins to all the rights, privileges, programs, and activities generally accorded to or made available to students at the school. It does not discriminate on the basis of race, color, national origin, and ethnic origin in administration of its educational policies, scholarship and loan programs, and athletic and other school-administered programs.

5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
6. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them. In addition, you have proposed adjusting journal entries that have been posted to the entity's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.
9. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
10. Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
11. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

The Harlem Heights Community Charter School, Inc. is a 501(c)3 corporation, Federal Tax ID# 81-0760151. The School admits students of any race, color, national origin, and all ethnic origins to all the rights, privileges, programs, and activities generally accorded to or made available to students at the school. It does not discriminate on the basis of race, color, national origin, and ethnic origin in administration of its educational policies, scholarship and loan programs, and athletic and other school-administered programs.

4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or waste or abuse whose effects should be considered when preparing financial statements.
7. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
10. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to The Heights Charter School, Inc., including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
12. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
13. The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
14. We are responsible for determining whether we have received, expended, or otherwise been the beneficiary of any federal awards during the period of this audit. No federal award, received directly from federal agencies or indirectly as a sub recipient, was expended in an amount that cumulatively totals from all sources \$750,000 or more. For this representation, "award" means financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, user grants, or contracts used to buy goods or services from vendors.

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15. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
16. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
17. The financial statements properly classify all funds and activities.
18. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
19. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
20. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
21. Provisions for uncollectible receivables have been properly identified and recorded.
22. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
23. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
24. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
25. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.
26. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
27. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
28. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
29. As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes. We have also ensured that the entity's data and records are complete and received sufficient information to oversee the service.

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Signature: Debra A. Mathunig Title: Director of Charter School

Signature: _____ Title: _____

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