

**POTENTIALS CHARTER
SCHOOL**

**A COMPONENT OF THE
ARC OF PALM BEACH
COUNTY, INC.**

**Financial Statements
and Supplementary
Information**

June 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Potentials Charter School
A Component Unit of The Arc of Palm Beach County, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Potentials Charter School, which is a component unit of The Arc of Palm Beach County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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 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 *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.

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 financial statements referred to above present fairly, in all material respects, the financial position of Potentials Charter School, which is a component unit of The Arc of Palm Beach County, Inc., 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 September 28, 2021, on our consideration of Potential Charter School's internal control over financial reporting 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Potentials Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Potential Charter School's internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 28, 2021

**Potentials Charter School, A Component of
The Arc of Palm Beach County, Inc.**

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

| | 2021 | 2020 |
|---------------------------------------|--------------|-------------|
| ASSETS | | |
| Cash | \$ 867,582 | \$ 399,297 |
| Accounts receivable, net | 14,187 | 2,495 |
| Pledges receivable | 55,600 | 55,600 |
| Due from the Arc (a related party) | - | 118,549 |
| Property and equipment, net | 75,127 | 87,432 |
| Total assets | \$ 1,012,496 | \$ 663,373 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 35,080 | \$ 32,394 |
| Due to the Arc (a related party) | 5,663 | - |
| Total liabilities | 40,743 | 32,394 |
| NET ASSETS | | |
| Without donor restrictions | 853,090 | 538,679 |
| With donor restrictions | 118,663 | 92,300 |
| Total net assets | 971,753 | 630,979 |
| Total liabilities and net assets | \$ 1,012,496 | \$ 663,373 |

The accompanying notes are an integral part of these financial statements.

Potentials Charter School, A Component of
The Arc of Palm Beach County, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2021 and 2020

| | 2021 | | | 2020 | | |
|--|----------------------------|-------------------------|------------|----------------------------|-------------------------|------------|
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| SUPPORT AND REVENUES | | | | | | |
| Fees and grants from government agencies | \$ 951,716 | \$ - | \$ 951,716 | \$ 890,675 | \$ - | \$ 890,675 |
| Gifts, grants, and bequests | 47,039 | 107,500 | 154,539 | 66,116 | 67,450 | 133,566 |
| Arc subsidy revenue (including in-kind rent) | 68,768 | - | 68,768 | 73,843 | - | 73,843 |
| Net assets released from restrictions | 81,137 | (81,137) | - | 95,315 | (95,315) | - |
| Total support and revenues | 1,148,660 | 26,363 | 1,175,023 | 1,125,949 | (27,865) | 1,098,084 |
| EXPENSES | | | | | | |
| Instruction | 455,209 | - | 455,209 | 584,417 | - | 584,417 |
| School administration | 214,852 | - | 214,852 | 264,755 | - | 264,755 |
| Operation of plant | 164,188 | - | 164,188 | 127,693 | - | 127,693 |
| Total expenses | 834,249 | - | 834,249 | 976,865 | - | 976,865 |
| CHANGE IN NET ASSETS | | | | | | |
| | 314,411 | 26,363 | 340,774 | 149,084 | (27,865) | 121,219 |
| NET ASSETS, BEGINNING OF PERIOD | 538,679 | 92,300 | 630,979 | 389,595 | 120,165 | 509,760 |
| NET ASSETS, END OF PERIOD | \$ 853,090 | \$ 118,663 | \$ 971,753 | \$ 538,679 | \$ 92,300 | \$ 630,979 |

The accompanying notes are an integral part of these financial statements.

Potentials Charter School, A Component of
The Arc of Palm Beach County, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2021 and 2020

| | 2021 | | | | 2020 | | | |
|-------------------------------------|-------------|-----------------------|--------------------|------------|-------------|-----------------------|--------------------|------------|
| | Instruction | School Administration | Operation of Plant | Total | Instruction | School Administration | Operation of Plant | Total |
| Salaries | \$ 295,093 | \$ 20,433 | \$ - | \$ 315,526 | \$ 381,948 | \$ 38,497 | \$ - | \$ 420,445 |
| Employee benefits | 57,849 | 2,222 | - | 60,071 | 66,208 | 4,624 | - | 70,832 |
| Payroll taxes | 23,040 | 1,561 | - | 24,601 | 28,139 | 2,898 | - | 31,037 |
| Total salaries and related expenses | 375,982 | 24,216 | - | 400,198 | 476,295 | 46,019 | - | 522,314 |
| Management allocation | - | 171,621 | - | 171,621 | - | 189,309 | - | 189,309 |
| Professional services | 71,144 | 11,513 | 43,266 | 125,923 | 85,254 | 12,195 | - | 97,449 |
| In-kind rent | - | - | 68,768 | 68,768 | - | - | 73,843 | 73,843 |
| Insurance | - | - | 24,689 | 24,689 | - | - | 33,190 | 33,190 |
| Supplies | 5,717 | 371 | 6,057 | 12,145 | 8,319 | 405 | 246 | 8,970 |
| Equipment rental and purchase | 2,016 | 2,852 | - | 4,868 | - | - | - | - |
| Telephone and postage | - | 667 | 4,129 | 4,796 | 283 | 593 | 3,158 | 4,034 |
| Repairs and maintenance | - | - | 2,493 | 2,493 | 283 | - | 1,407 | 1,690 |
| Advertising | - | 1,545 | - | 1,545 | - | - | - | - |
| Miscellaneous | - | 977 | - | 977 | 4,452 | 5,468 | - | 9,920 |
| Dues and subscriptions | - | 971 | - | 971 | - | - | - | - |
| Conferences and training | 350 | - | - | 350 | 2,506 | - | - | 2,506 |
| Transportation | - | 119 | - | 119 | 7,025 | 682 | - | 7,707 |
| Bad debt expense | - | - | - | - | - | 10,084 | - | 10,084 |
| Total expenses before depreciation | 455,209 | 214,852 | 149,402 | 819,463 | 584,417 | 264,755 | 111,844 | 961,016 |
| Depreciation | - | - | 14,786 | 14,786 | - | - | 15,849 | 15,849 |
| Total expenses | \$ 455,209 | \$ 214,852 | \$ 164,188 | \$ 834,249 | \$ 584,417 | \$ 264,755 | \$ 127,693 | \$ 976,865 |

The accompanying notes are an integral part of these financial statements.

**Potentials Charter School, A Component of
The Arc of Palm Beach County, Inc.**

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

| | 2021 | 2020 |
|--|-------------|-------------|
| CASH FLOWS FROM OPERATIONS | | |
| Change in net assets | \$ 340,774 | \$ 121,219 |
| Adjustments to reconcile change in net assets to cash provided by operations: | | |
| Bad debt expense | - | 10,084 |
| Depreciation | 14,786 | 15,849 |
| Increase in accounts receivable | (11,692) | (4,186) |
| Increase in accounts payable and accrued expenses | 2,686 | 2,360 |
| | 346,554 | 145,326 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of equipment | (2,481) | (13,049) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments from (advances to) the Arc, net | 124,212 | (39,072) |
| Net change in cash | 468,285 | 93,205 |
| Cash, beginning of period | 399,297 | 306,092 |
| Cash, end of period | \$ 867,582 | \$ 399,297 |

The accompanying notes are an integral part of these financial statements.

**Potentials Charter School, A Component of
The Arc Of Palm Beach County, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A – SCHOOL AND ACTIVITIES

Potentials Charter School, a component of The Arc of Palm Beach County, Inc., (the “School”) was established in May 1998 pursuant to a charter school contract (the “Charter”) between the School Board of Palm Beach County, Florida (the “School Board”) and The Arc of Palm Beach County, Inc. (the “Arc”). The School operates as a separate component of the Arc. Under the Charter, the School provides education to developmentally disabled children from preschool through the eighth grade in Palm Beach County, Florida. The School combines an intensive classroom learning experience for its students with therapeutic services and technical support. The School’s facilities, located in central Palm Beach County, can serve a maximum of thirty-two students.

The Charter, which is effective through June 30, 2031, requires the School Board to provide the School’s primary source of funding based upon the number of full-time equivalent students served by the School.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the School is presented to assist in understanding the School’s financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been applied consistently in the preparation of these financial statements.

1. Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The School reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions.

The School reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

**Potentials Charter School, A Component of
The Arc Of Palm Beach County, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Contributed services and facilities

The School does not recognize any support, revenue or expense from services contributed by individual volunteers since no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of time in the School's program services.

The School's primary facility is owned by the Arc. The facility is rented to the School without charge. The estimated fair rental value of the building and land is reported as support and expense in the period the premises are used (see Note D).

3. Accounts and pledges receivable

Accounts and pledges receivable at June 30, 2021 and 2020 are receivable in less than one year and are stated at the amount of the uncollected balances, adjusted by an allowance for doubtful accounts, if necessary. Management's periodic evaluation of the adequacy of the allowance is based on past experience and adverse situations that may affect the funding service's ability to pay. The allowance for doubtful accounts at June 30, 2021 and 2020 was \$0 and \$218, respectively.

4. Property and equipment and depreciation

Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service. Depreciation of property and equipment, consisting principally of furniture, fixtures, and equipment, is calculated on the straight-line method over the estimated useful lives ranging from 3 to 30 years.

5. Revenue Recognition

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASC 958-605), which clarifies how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional. The School adopted ASC 958-605 and all related amendments effective July 1, 2019.

**Potentials Charter School, A Component of
The Arc Of Palm Beach County, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Revenue Recognition (continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606), which prescribes a single, common revenue standard to replace most existing revenue recognition guidance, including most industry-specific requirements. The standard outlines a five-step model whereby revenue is recognized as performance obligations within the contract are satisfied. The School adopted ASC 606 and all related amendments effective July 1, 2020.

The School receives its revenue from the Florida Education Finance Program (FEFP), Medicaid, Special revenue, and grants. FEFP revenue is recorded in accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods. Special revenue is recognized as determined by Florida DOE or other authorities. Medicaid revenue is recognized when the services are performed. Grants are reported as net assets with donor restrictions if they are received with donor stipulations which limit the use of the donated assets. When donor restrictions expire, that is, when the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

The adoption of ASC 958-605 and ASC 606 had no significant impact on the School's financial statements.

6. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions which affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Certain risk matters

The School operates as a component unit of the Arc and is exposed to the risks that its activities will no longer be funded by certain governmental agencies or supported by the Arc. Management believes that any decline in funding would result in a corresponding reduction in the scope of educational services it could provide to developmentally disabled children.

**Potentials Charter School, A Component of
The Arc Of Palm Beach County, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Certain risk matters (continued)

The School maintains cash deposits at several financial institutions located in Palm Beach County, Florida. Deposits located at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and during the year balances may fluctuate above and below this amount. At June 30, 2021 and 2020, the School held approximately \$618,000 and \$0, respectively, in excess of FDIC limits. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

8. Income taxes

The Arc is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Management has concluded that as of June 30, 2021 there are no uncertain tax positions taken or expected to be taken by the School that would require recognition of a liability (or asset) or disclosure in the financial statements. The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

9. New accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The School is evaluating the potential effects ASU 2016-02 will have on its financial statements.

10. Subsequent events

Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were available to be issued on September 28, 2021.

**Potentials Charter School, A Component of
The Arc Of Palm Beach County, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE C – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2021 and 2020 are summarized below:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|------------------|------------------|
| Furniture, fixtures and equipment | \$ 294,645 | \$ 292,165 |
| Accumulated depreciation | <u>(219,518)</u> | <u>(204,733)</u> |
| Property and equipment, net | <u>\$ 75,127</u> | <u>\$ 87,432</u> |

Depreciation expense for the years ended June 30, 2021 and 2020 totaled approximately, \$14,800 and \$15,900, respectively.

NOTE D – RELATED PARTY TRANSACTIONS

1. Leasing arrangements

The School occupies a portion of a building owned by the Arc under an informal leasing arrangement. Total in-kind building rent charged to the School for the years ended June 30, 2021 and 2020 approximated \$53,000 and \$58,000, respectively. In addition, in-kind rent totaled approximately \$16,000 for donated land in both years. The building is on land owned by the School Board and leased to the School pursuant to a long-term lease with the School Board.

2. Allocation of expenses

The Arc allocates certain occupancy and other expenses, including certain payroll and related expenses, utilities, repairs and maintenance, and insurance to the School based on square footage. For the years ended June 30, 2021 and 2020, allocations to the School approximated \$172,000 and \$189,000, respectively.

The Arc also advances funds, as needed, to the School to subsidize its operations. The School received no cash subsidies from the Arc during 2021 and 2020. As of June 30, 2021, the School has a due to the Arc balance of approximately \$5,700 as shown in the accompanying statements of financial position. As of June 30, 2020, the School has a due from the Arc balance of approximately \$119,000 as shown in the accompanying statements of financial position. The net amounts due to the Arc have no stipulated repayment terms and are non-interest bearing.

**Potentials Charter School, A Component of
The Arc Of Palm Beach County, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2021 and 2020 relate to funds pledged for operation of the School and funds received for specific purposes. These restrictions are considered to expire when pledge payments are received and the funds have been expended for the specified purpose. Net assets with donor restrictions as of June 30, 2021 and 2020 are summarized as follows:

| | 2021 | 2020 |
|-------------------------------|------------|-----------|
| Town of Palm Beach United Way | \$ 55,600 | \$ 55,600 |
| Lattner | 29,646 | 9,648 |
| Frenchman's Creek | 28,295 | 11,925 |
| Ballen Isles | 5,122 | 15,127 |
| | \$ 118,663 | \$ 92,300 |

Net assets released from restrictions consist of the following for the years ended June 30:

| | 2021 | 2020 |
|-------------------------------|-----------|-----------|
| Town of Palm Beach United Way | \$ 55,600 | \$ 55,600 |
| Ballen Isles | 21,907 | 19,435 |
| Frenchman's Creek | 3,630 | 14,927 |
| Lattner | - | 5,353 |
| | \$ 81,137 | \$ 95,315 |

NOTE F – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, payroll taxes, professional services, and insurance, which are allocated on the basis of estimates of time and effort.

**Potentials Charter School, A Component of
The Arc Of Palm Beach County, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G – LIQUIDITY AND AVAILABILITY OF RESOURCES

The School’s financial assets available within one year of the statements of financial position date for general expenditures are as follows:

| | 2021 | 2020 |
|--|----------------|----------------|
| Cash | \$ 867,582 | \$ 399,297 |
| Accounts receivable, net | 14,187 | 2,495 |
| Pledges receivable | 55,600 | 55,600 |
| Due from the Arc | - | 118,549 |
| Total financial assets available within one year | 937,369 | 575,941 |
| Accounts payable | (35,080) | (32,394) |
| Due to the Arc | (5,663) | - |
| Amounts unavailable to management: | | |
| Restricted Funds | (118,663) | (92,300) |
| Total financial assets available within one year after restrictions | \$ 777,963 | \$ 451,247 |

As part of the School’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE H – RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global pandemic situation.

SUPPLEMENTAL INFORMATION



**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**

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To the Board of Trustees
Potentials Charter School
A Component Unit of The Arc of Palm Beach County, Inc.

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 Potentials Charter School, which is a component unit of The Arc of Palm Beach County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Potentials Charter School'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Potentials Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Potentials Charter 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Potentials Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have 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 Potentials Charter 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 Potentials Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 28, 2021



Partners

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MANAGEMENT LETTER

To the Board of Trustees
Potentials Charter School
A Component Unit of The Arc of Palm Beach County, Inc.

Report on the Financial Statements

We have audited the financial statements of Potentials Charter School, which is a component unit of The Arc of Palm Beach County, Inc., as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 28, 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 Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 28, 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 were no significant findings and recommendations made in the preceding annual financial audit report.

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 and the school code assigned by the Florida Department of Education of the entity is *Potentials Charter School* (502531), which is a component unit of The Arc of Palm Beach County, Inc.

Financial Condition and Management

Section 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 Potentials Charter 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 Potentials Charter 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 Potentials Charter School. It is management's responsibility to monitor Potentials Charter 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 Potentials Charter 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 Potentials Charter School maintained on its Web site the information specified in section 1002.33(9)(p), Florida Statutes.

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, Federal and other granting agencies, Potentials Charter School's management, the Board of Trustees, applicable management, and The Arc of Palm Beach County, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 28, 2021

CURRENT YEAR MANAGEMENT RECOMMENDATIONS

For the year ended June 30, 2021, there are no management recommendations.