

**POTENTIALS CHARTER
SCHOOL**

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

**Financial Statements
and Supplementary
Information**

June 30, 2022

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-13
SUPPLEMENTAL INFORMATION	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	14-15
MANAGEMENT LETTER	16-17
CURRENT YEAR MANAGEMENT RECOMMENDATIONS	18



INDEPENDENT AUDITOR'S REPORT

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

Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Renee C. Varga
Richard F. Hayes
Frank J. Guida
John J. Rody, Jr.
Shawn M. Marshall

Winter Park, FL 32789
501 S. New York Ave.
Suite 100
Phone: 407-644-5811
www.mosskrusick.com

N. Palm Beach, FL 33408
631 US Highway One
Suite 405
Phone: 561-848-9300

Miami Lakes, FL 33016
7900 NW 155th Street
Suite 201
Phone: 305-445-7956

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Potentials Charter School as of June 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Potentials Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Potentials Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Potentials Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Potentials Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023, on our consideration of Potentials 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 Potentials Charter School's internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
February 23, 2023

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

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash	\$ 386,569	\$ 867,582
Accounts receivable, net	2,437	14,187
Pledges receivable	-	55,600
Due from the Arc (a related party)	979,518	-
Property and equipment, net	82,391	75,127
Total assets	\$ 1,450,915	\$ 1,012,496
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 33,720	\$ 35,080
Due to the Arc (a related party)	-	5,663
Total liabilities	33,720	40,743
NET ASSETS		
Without donor restrictions	1,366,262	853,090
With donor restrictions	50,933	118,663
Total net assets	1,417,195	971,753
Total liabilities and net assets	\$ 1,450,915	\$ 1,012,496

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, 2022 and 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUES						
Fees and grants from government agencies	\$ 1,203,204	\$ -	\$ 1,203,204	\$ 951,716	\$ -	\$ 951,716
Gifts, grants, and bequests	124,293	20,000	144,293	47,039	107,500	154,539
Arc subsidy revenue (including non-financial rent)	16,200	-	16,200	68,768	-	68,768
Net assets released from restrictions	87,730	(87,730)	-	81,137	(81,137)	-
 Total support and revenues	 1,431,427	 (67,730)	 1,363,697	 1,148,660	 26,363	 1,175,023
EXPENSES						
Instruction	557,388	-	557,388	455,209	-	455,209
School administration	230,759	-	230,759	214,852	-	214,852
Operation of plant	130,108	-	130,108	164,188	-	164,188
 Total expenses	 918,255	 -	 918,255	 834,249	 -	 834,249
CHANGE IN NET ASSETS	513,172	(67,730)	445,442	314,411	26,363	340,774
NET ASSETS, BEGINNING OF PERIOD	853,090	118,663	971,753	538,679	92,300	630,979
NET ASSETS, END OF PERIOD	<u>\$ 1,366,262</u>	<u>\$ 50,933</u>	<u>\$ 1,417,195</u>	<u>\$ 853,090</u>	<u>\$ 118,663</u>	<u>\$ 971,753</u>

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, 2022 and 2021

	2022				2021			
	Instruction	School Administration	Operation of Plant	Total	Instruction	School Administration	Operation of Plant	Total
Salaries	\$ 328,819	\$ 23,175	\$ -	\$ 351,994	\$ 295,093	\$ 20,433	\$ -	\$ 315,526
Employee benefits	46,768	2,256	-	49,024	57,849	2,222	-	60,071
Payroll taxes	25,381	1,781	-	27,162	23,040	1,561	-	24,601
Total salaries and related expenses	400,968	27,212	-	428,180	375,982	24,216	-	400,198
Professional services	142,538	893	59,974	203,405	71,144	11,513	43,266	125,923
Management allocation	-	183,348	-	183,348	-	171,621	-	171,621
Insurance	-	-	23,579	23,579	-	-	24,689	24,689
Miscellaneous	7,746	10,730	1,441	19,917	-	977	-	977
Supplies	5,066	380	3,051	8,497	5,717	371	6,057	12,145
Transportation	248	7,319	-	7,567	-	119	-	119
Telephone and postage	60	877	3,961	4,898	-	667	4,129	4,796
Repairs and maintenance	-	-	4,684	4,684	-	-	2,493	2,493
Conferences and training	750	-	-	750	350	-	-	350
Advertising	12	-	299	311	-	1,545	-	1,545
Non-financial rent expense	-	-	16,200	16,200	-	-	68,768	68,768
Equipment rental and purchase	-	-	-	-	2,016	2,852	-	4,868
Dues and subscriptions	-	-	-	-	-	971	-	971
Total expenses before depreciation	557,388	230,759	113,189	901,336	455,209	214,852	149,402	819,463
Depreciation	-	-	16,919	16,919	-	-	14,786	14,786
Total expenses	\$ 557,388	\$ 230,759	\$ 130,108	\$ 918,255	\$ 455,209	\$ 214,852	\$ 164,188	\$ 834,249

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATIONS		
Change in net assets	\$ 445,442	\$ 340,774
Adjustments to reconcile change in net assets to cash provided by operations:		
Depreciation	16,919	14,786
Increase in accounts receivable	11,750	(11,692)
Decrease in pledge receivable	55,600	-
Increase (decrease) in accounts payable and accrued expenses	(1,360)	2,686
Net cash provided by operations	528,351	346,554
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(24,183)	(2,481)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments from (advances to) the Arc, net	(985,181)	124,212
Net change in cash	(481,013)	468,285
Cash, beginning of period	867,582	399,297
Cash, end of period	\$ 386,569	\$ 867,582

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, 2022

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, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Contributed non-financial assets

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets, which requires the monitoring and tracking of gifts in kind by asset category, while also noting any donor-imposed restrictions. The School adopted ASU No. 2020-07 effective July 1, 2021. The adoption has no significant impact on the School's financial statements.

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, 2022 and 2021 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. There was no allowance for doubtful accounts at June 30, 2022 and 2021.

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, 2022

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, 2022

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, 2022 and 2021, the School held approximately \$180,000 and \$618,000, 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, 2022 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. 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 February 23, 2023.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE C – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2022 and 2021 are summarized below:

	<u>2022</u>	<u>2021</u>
Furniture, fixtures and equipment	\$ 318,827	\$ 294,645
Accumulated depreciation	<u>(236,436)</u>	<u>(219,518)</u>
Property and equipment, net	<u>\$ 82,391</u>	<u>\$ 75,127</u>

Depreciation expense for the years ended June 30, 2022 and 2021 totaled approximately, \$16,900 and \$14,800, 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 contributed non-financial rent expense charged to the School for the years ended June 30, 2022 and 2021 approximated \$0 and \$53,000, respectively. In addition, contributed non-financial rent expense totaled approximately \$16,000 for donated land for 2022 and 2021. 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, 2022 and 2021, allocations to the School approximated \$183,000 and \$172,000, 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 2022 and 2021. As of June 30, 2022, the School has a due from the Arc balance of approximately \$979,500 as shown in the accompanying statements of financial position. 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. 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, 2022

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2022 and 2021 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, 2022, and 2021 are summarized as follows:

	2022	2021
Lattner	\$ 28,166	\$ 29,646
Frenchman's Creek	12,767	28,295
Childrens Healthcare Charity	10,000	-
Town of Palm Beach United Way	-	55,600
Ballen Isles	-	5,122
	\$ 50,933	\$ 118,663

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

	2022	2021
Town of Palm Beach United Way	\$ 55,600	\$ 55,600
Frenchman's Creek	25,528	3,630
Ballen Isles	5,122	21,907
Lattner	1,480	-
	\$ 87,730	\$ 81,137

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, 2022

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:

	2022	2021
Cash	\$ 386,569	\$ 867,582
Accounts receivable, net	2,437	14,187
Pledges receivable	-	55,600
Due from the Arc	979,518	-
 Total financial assets available within one year	 1,368,524	 937,369
 Accounts payable	 (33,720)	 (35,080)
Due to the Arc	-	(5,663)
Amounts unavailable to management: Restricted Funds	(50,933)	(118,663)
 Total financial assets available within one year after restrictions	 \$1,283,871	 \$ 777,963

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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Renee C. Varga
Richard F. Hayes
Frank J. Guida
John J. Rody, Jr.
Shawn M. Marshall

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, 2022, 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 February 23, 2023.

Report on 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 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 or significant deficiencies may exist that were not identified.

Report on 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*.

Winter Park, FL 32789
501 S. New York Ave.
Suite 100
Phone: 407-644-5811
www.mosskrusick.com

N. Palm Beach, FL 33408
631 US Highway One
Suite 405
Phone: 561-848-9300

Miami Lakes, FL 33016
7900 NW 155th Street
Suite 201
Phone: 305-445-7956

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

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 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 the 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
February 23, 2023



MANAGEMENT LETTER

Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Renee C. Varga
Richard F. Hayes
Frank J. Guida
John J. Rody, Jr.
Shawn M. Marshall

Winter Park, FL 32789
501 S. New York Ave.
Suite 100
Phone: 407-644-5811
www.mosskrusick.com

N. Palm Beach, FL 33408
631 US Highway One
Suite 405
Phone: 561-848-9300

Miami Lakes, FL 33016
7900 NW 155th Street
Suite 201
Phone: 305-445-7956

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

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, 2022, and have issued our report thereon dated February 23, 2023.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's 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 February 23, 2023, 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
February 23, 2023

CURRENT YEAR MANAGEMENT RECOMMENDATIONS

For the year ended June 30, 2022, there are no management recommendations.