

**HERITAGE CHARTER ACADEMY, INC.**

A Charter School and Component Unit of the  
District School Board of Lee County, Florida

INDEPENDENT AUDITOR'S REPORT

*for the fiscal year ended JUNE 30, 2023*

***King & Walker, CPAs, PL***

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*Certified Public Accountants*

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# HERITAGE CHARTER ACADEMY, INC.

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## **Independent Auditor's Report**

To the Board of Directors of the Heritage Charter Academy, Inc.  
a Charter School and Component Unit of the District  
School Board of Lee County, Florida

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of Heritage Charter Academy, Inc. ("School"), and a component unit of the District School Board of Lee County, Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund information of the School, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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 opinions. 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 GAAS 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. 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 GAAS 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 the 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 the 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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison Schedule, and Note to Required Supplementary Information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government 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 August 24, 2023, on our consideration of the 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 the 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 the School's, internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, professional style.

August 24, 2023  
Tampa, Florida

# **HERITAGE CHARTER ACADEMY, INC.**

*A Charter School and Component Unit of the District School Board of Lee County, Florida*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Heritage Charter Academy, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2023.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements, as listed in the table of contents.

### **FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2023, the School's revenues exceeded expenses as shown on the School's statement of activities by \$14,567.
- As shown on the statement of net position, the School reported a total deficit net position balance of \$197,419.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

### **Government-Wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net position and the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

# HERITAGE CHARTER ACADEMY, INC.

*A Charter School and Component Unit of the District School Board of Lee County, Florida*

## MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

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### **Fund Financial Statements**

Fund financial statements are one of the components of the basic 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates the following funds; a General Fund to account for its general operations, a Special Revenue Fund, and a Capital Projects Fund. For reporting purposes, all funds are considered to be a major funds.

The School adopts annual budgets for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund and the Major Special Revenue Fund to demonstrate compliance with the budgets.

### **Notes to Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.



# HERITAGE CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Lee County, Florida

## MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the School's current year and prior year net position:

#### Net Position, End of Year

	Governmental Activities		
	6-30-22	6-30-23	Increase (Decrease)
<b>ASSETS</b>			
Current and Other Assets	\$ 135,477	\$ 162,884	\$ 27,407
Capital Assets, Net	864,755	677,364	(187,391)
Total Assets	<u>1,000,232</u>	<u>840,248</u>	<u>(159,984)</u>
<b>LIABILITIES</b>			
Current Liabilities	379,587	391,703	12,116
Noncurrent Liabilities	832,631	645,964	(186,667)
Total Liabilities	<u>1,212,218</u>	<u>1,037,667</u>	<u>(174,551)</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	32,124	31,400	(724)
Unrestricted	(244,110)	(228,819)	15,291
Total Net Position	<u>\$ (211,986)</u>	<u>\$ (197,419)</u>	<u>\$ 14,567</u>

The current assets of the School consist of cash and cash equivalents, due from other agencies and prepaid items and deposits. Liabilities consist of salaries and benefits payable, accounts payable, due to other agencies, a line of credit payable and a long-term lease liability. The School's total net position amounted to a deficit of \$197,419 as of June 30, 2023, and an unrestricted deficit net position balance of \$228,819.

## HERITAGE CHARTER ACADEMY, INC.

*A Charter School and Component Unit of the District School Board of Lee County, Florida*

### MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The following is a summary of the School's change in net position for the current and prior year:

	Operating Results for the Year		
	Governmental Activities		
	6-30-22	6-30-23	Increase (Decrease)
<b>Revenues:</b>			
Federal Through State and Local	\$ 192,057	\$ 463,712	\$ 271,655
State	1,425,711	1,576,821	151,110
Local and Other	162,336	116,637	(45,699)
Special Item - Forgiveness of Debt	111,332	-	(111,332)
Total Revenues	<u>1,891,436</u>	<u>2,157,170</u>	<u>265,734</u>
<b>Expenses:</b>			
Instruction	789,527	956,384	166,857
Student Support Services	36,388	111,062	74,674
Instructional Related Technology	32,860	28,685	(4,175)
Board	207,659	216,562	8,903
School Administration	137,990	178,358	40,368
Fiscal Services	5,200	6,165	965
Food Services	103,145	84,354	(18,791)
Student Transportation	62,207	78,425	16,218
Operation of Plant	131,235	197,758	66,523
Maintenance of Plant	11,937	35,763	23,826
Community Service	-	6,181	6,181
Debt Service - Interest	53,543	44,803	(8,740)
Unallocated Depreciation/Amortization	181,244	198,103	16,859
Total Expenses	<u>1,752,935</u>	<u>2,142,603</u>	<u>389,668</u>
<b>Increase/(Decrease) in Net Position</b>	<u>\$ 138,501</u>	<u>\$ 14,567</u>	<u>\$ (123,934)</u>

The largest revenue source for the School is the State of Florida (73%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School. The largest concentrations of expenses were for Instruction (45%).

# **HERITAGE CHARTER ACADEMY, INC.**

*A Charter School and Component Unit of the District School Board of Lee County, Florida*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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### **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

#### **Governmental Funds**

As the School completed the year, its governmental funds reported a combined deficit fund balance of \$228,819.

#### **BUDGETARY HIGHLIGHTS**

The general fund and special revenue fund budgets for the fiscal year ended June 30, 2023, were developed based on the School's anticipated revenues and expenditures, the expected student population, and Federal grant programs for the school year. Actual expenditures were equal to the final budgets.

#### **CAPITAL ASSETS**

The School's capital assets for its governmental activities as of June 30, 2023, amounts to \$677,364 (net of accumulated depreciation/amortization). This investment in capital assets includes furniture, fixtures, and equipment, leasehold improvements and a leased asset – building. Additional information regarding the School's capital assets can be found in the notes to the financial statements.

#### **LONG-TERM DEBT**

At June 30, 2023, the School had \$645,964 in long-term debt outstanding, a net decrease of \$186,667 from last year. Additional information about the School's long-term debt is presented in the notes to the financial statements.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Heritage Charter Academy, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to School Financial Services, Inc., Post Office Box 250 Bonifay, Florida 34425.

**HERITAGE CHARTER ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**  
*June 30, 2023*

	Government Activities
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 127,773
Due From Other Agencies	13,577
Prepaid Items & Deposits	21,534
Capital Assets:	
Leased Asset - Building	645,964
Leasehold Improvements, Net	13,203
Furniture, Fixtures, and Equipment, Net	18,197
Total Capital Assets	677,364
<b>TOTAL ASSETS</b>	<b>840,248</b>
<b>LIABILITIES</b>	
Salaries and Benefits Payable	84,238
Accounts Payable	3,197
Due to Other Agencies	273,884
Line of Credit Payable	30,384
Noncurrent Liabilities:	
Due Within One Year:	
Long-term Lease Payable	195,718
Due After One Year:	
Long-term Lease Payable	450,246
<b>TOTAL LIABILITIES</b>	<b>1,037,667</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	31,400
Unrestricted	(228,819)
<b>TOTAL NET POSITION</b>	<b>\$ (197,419)</b>

The accompanying notes to the financial statements are an integral part of this statement.

**HERITAGE CHARTER ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2023*

	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes Net Position Governmental Activities
Governmental Activities:					
Instruction	\$ 956,384	\$ -	\$ 209,680	\$ -	\$ (746,704)
Student Support Services	111,062	-	49,000	-	(62,062)
Instructional Related Technology	28,685	-	6,014	-	(22,671)
Board	216,562	-	-	-	(216,562)
School Administration	178,358	-	-	-	(178,358)
Fiscal Services	6,165	-	-	-	(6,165)
Food Services	84,354	7,190	64,634	-	(12,530)
Student Transportation	78,425	-	-	-	(78,425)
Operation of Plant	197,758	-	22,269	-	(175,489)
Maintenance of Plant	35,763	-	12,106	-	(23,657)
Community Service	6,181	28,541	-	-	22,360
Debt Service - Interest	44,803	-	-	97,962	53,159
Unallocated Depreciation/Amortization	198,103	-	-	-	(198,103)
<b>Total Governmental Activities</b>	<b>\$ 2,142,603</b>	<b>\$ 35,731</b>	<b>\$ 363,703</b>	<b>\$ 97,962</b>	<b>(1,645,207)</b>
General Revenue					
State Sources					1,478,859
Local and Other					80,906
Grants and Contributions Not Restricted to a Specific Program					100,009
Total General Revenues					1,659,774
Change in Net Position					14,567
Net Position - July 1, 2022					(211,986)
Net Position - June 30, 2023					\$ (197,419)

The accompanying notes to the financial statements are an integral part of this statement.

**HERITAGE CHARTER ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
*June 30, 2023*

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 127,773	\$ -	\$ -	\$ 127,773
Due From Other Agencies	-	13,577	-	13,577
Prepaid Items & Deposits	21,534	-	-	21,534
Due from Other Funds	13,577	1,343	-	14,920
Total Assets	\$ 162,884	\$ 14,920	\$ -	\$ 177,804
<b>LIABILITIES</b>				
Salaries and Benefits Payable	\$ 82,895	\$ 1,343	\$ -	\$ 84,238
Accounts Payable	3,197	-	-	3,197
Due to Other Agencies	273,884	-	-	273,884
Line of Credit Payable	30,384	-	-	30,384
Due to Other Funds	1,343	13,577	-	14,920
Total Liabilities	391,703	14,920	-	406,623
<b>FUND BALANCES</b>				
Nonspendable	21,534	-	-	21,534
Unassigned	(250,353)	-	-	(250,353)
Total Fund Balances	(228,819)	-	-	(228,819)
Total Liabilities and Fund Balances	\$ 162,884	\$ 14,920	\$ -	\$ 177,804

The accompanying notes to the financial statements are an integral part of this statement.

**HERITAGE CHARTER ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**

*June 30, 2023*

<b>Total Fund Balances - Governmental Funds</b>	\$ (228,819)
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation/amortization, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	677,364
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Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.

Long-term Lease Payable	<u>(645,964)</u>
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<b>Total Net Position - Governmental Activities</b>	<u><u>\$ (197,419)</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**HERITAGE CHARTER ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
*For the Fiscal Year Ended June 30, 2023*

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>				
Intergovernmental:				
Federal Through State and Local	\$ 100,009	\$ 363,703	\$ -	\$ 463,712
State	1,476,863	489	99,469	1,576,821
Local and Other	109,447	7,190	-	116,637
Total Revenues	1,686,319	371,382	99,469	2,157,170
<b>Expenditures</b>				
Current - Education:				
Instruction	746,704	209,680	-	956,384
Student Support Services	62,062	49,000	-	111,062
Instructional Related Technology	22,671	6,014	-	28,685
Board	216,562	-	-	216,562
School Administration	178,358	-	-	178,358
Fiscal Services	6,165	-	-	6,165
Food Services	-	84,354	-	84,354
Student Transportation	78,425	-	-	78,425
Operation of Plant	175,489	22,269	-	197,758
Maintenance of Plant	22,150	12,106	1,507	35,763
Community Service	6,181	-	-	6,181
Fixed Capital Outlay:				
Other Capital Outlay	10,712	-	-	10,712
Debt Service:				
Principal	88,705	-	97,962	186,667
Interest	44,803	-	-	44,803
Total Expenditures	1,658,987	383,423	99,469	2,141,879
Excess/(Deficiency) of Revenues				
Over Expenditures	27,332	(12,041)	-	15,291
Other Financing Sources (Uses):				
Transfers In	-	12,041	-	12,041
Transfers Out	(12,041)	-	-	(12,041)
Total Other Financing Sources (Uses)	(12,041)	12,041	-	-
Net Change in Fund Balances	15,291	-	-	15,291
Fund Balances, July 1, 2022	(244,110)	-	-	(244,110)
Fund Balances, June 30, 2023	\$ (228,819)	\$ -	\$ -	\$ (228,819)

The accompanying notes to financial statements are an integral part of this statement.



**HERITAGE CHARTER ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2023*

<b>Net Change in Fund Balances - Governmental Funds</b>	\$	15,291
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.</p>		
Capital Outlays	10,712	
Depreciation/amortization Expense	<u>(198,103)</u>	(187,391)
<p>The repayment of principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.</p>		
		<u>186,667</u>
<b>Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>14,567</u></b>

The accompanying notes to the financial statements are an integral part of this statement.

# HERITAGE CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Lee County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ➤ Reporting Entity

Heritage Charter Academy, Inc. (“School”) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of f members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Lee County, Florida, (“District”). The current charter is effective until June 30, 2026, and is subject to annual review and may be renewed by mutual 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 this case, the District is required to notify the school in writing at least 90 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. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

#### ➤ Basis of Presentation

Government-wide Financial Statements - Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

# HERITAGE CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Lee County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements - Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue Fund – to account for Federal grant programs and food service operations.
- Capital Projects Fund – to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

### Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for

# HERITAGE CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Lee County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

### ➤ **Cash and Cash Equivalents**

The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term liquid investments with original maturities of 3 months or less from the date of acquisition.

Cash deposits consist of demand deposits held by local financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

### ➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated/amortized over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Leasehold Improvements	10 years
Furniture, Fixtures and Equipment	5 years
Leased Asset - Building	6 years

### ➤ **Long-term Debt**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Current-year information relative to changes in long-term debt is described in subsequent notes.

### ➤ **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow

# HERITAGE CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Lee County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The School does not have any items that qualify for reporting in this category.

### ➤ **Net Position and Fund Balance Classification**

#### *Government-wide Financial Statements*

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

#### *Fund Financial Statements*

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.

# HERITAGE CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Lee County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

### ➤ Order of Fund Balance Spending Policy

The School’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

### ➤ Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students (FTE) reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School’s compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2.,

# HERITAGE CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Lee County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Florida Statutes. For the fiscal year ended June 30, 2023, the School reported 181.20 unweighted FTE and 194.96 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives Federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For Federal or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property and sales tax collections.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

### ➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

# HERITAGE CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Lee County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

### 2. CASH DEPOSITS

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School does not have a custodial credit risk policy. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000.

### 3. DUE FROM OTHER AGENCIES

The amount due from other agencies on the School's statement of net position and balance sheet – governmental funds consist of amounts for expenditures made for a Federal grant program awaiting reimbursement from the District. This receivable is considered fully collectible and therefore, no allowance for uncollectible accounts has been established.

### 4. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2023, the School's General Fund was due \$13,577 from the Special Revenue Fund for grant expenditures not yet reimbursed. The Special Revenue Fund was due \$1,343 for salaries payable. The amounts of interfund receivables and payables are netted together and not reported in the statement of net position.

### 5. INTERFUND TRANSFERS

The School's General Fund transferred \$12,041 to the Special Revenue Fund to provide support for the School's Food Service operations. These amounts are netted together and not reported in the statement of activities.



# HERITAGE CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Lee County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 6. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Leased Asset - Building	\$ 1,005,088	\$ -	\$ -	\$1,005,088
Leasehold Improvements	20,690	-	-	20,690
Furniture, Fixtures and Equipment	36,122	10,712	-	46,834
Total Capital Assets	<u>1,061,900</u>	<u>10,712</u>	<u>-</u>	<u>1,072,612</u>
Less Accumulated Depreciation/Amortization for:				
Leased Asset - Building	(172,457)	(186,667)	-	(359,124)
Leasehold Improvements	(5,418)	(2,069)	-	(7,487)
Furniture, Fixtures and Equipment	<u>(19,270)</u>	<u>(9,367)</u>	<u>-</u>	<u>(28,637)</u>
Total Accumulated Depreciation/Amortization	<u>(197,145)</u>	<u>(198,103)</u>	<u>-</u>	<u>(395,248)</u>
Governmental Activities Capital Assets, net	<u>\$ 864,755</u>	<u>\$ (187,391)</u>	<u>\$ -</u>	<u>\$ 677,364</u>

All depreciation/amortization expense was shown as unallocated on the Statement of Activities.

### 7. LINE OF CREDIT PAYABLE – Related party

The School has established a \$250,000 line of credit with CHOICE Charter School Services, LLC (the “Company”), the School’s management company, at an interest rate of 0%. During the 2022-23 fiscal year the School received advances on the line of credit of \$4,384 from the Company to fund operating expenses. The School made payments on the line of credit of \$48,880. In addition, the School recorded \$48,880 due under the Operating Agreement to the balance of the line of credit. The balance of the line of credit at June 30, 2023, is \$30,384. The Operating Agreement expenses are more fully disclosed in Note 14 to the financial statements.

**HERITAGE CHARTER ACADEMY, INC.**

**A Charter School and Component Unit of the District School Board of Lee County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

**8. DUE TO OTHER AGENCIES**

The amount due to other agencies in the amount of \$273,884 on the School’s statement of net position and balance sheet – governmental funds consist of amounts due to the Department of Treasury Internal Revenue Service for payroll tax liabilities resulting from the 2016 and 2017 Employer’s Quarterly Federal Tax Returns which reported unpaid taxes and related statutory assessments. The Internal Revenue Service (IRS) issued a letter confirming a request to pay these taxes in installments. The first payment of \$300 was paid on June 25, 2021, and future payments of \$300 are due on the 25<sup>th</sup> each of the following months until the full amount is paid. The IRS has the legal right to collect this money for up to 10 years. This agreement is based on the School’s current financial statement. It may change or cancel the amount owed if the IRS can show a significant change in the School’s ability to pay. The School is currently in full compliance with current payroll tax deposits and filing requirements.

**9. LONG-TERM LEASE PAYABLE**

The School entered into a 25-month operating lease on May 31, 2019, for its educational facility through June 30, 2023. In August of 2021 the Lease was extended through June 30, 2026. The lease requires monthly payments of \$10,000 per month, for the first seven (7) months; \$15,000 per month for the next six (6) months, and \$18,000 per month for the remaining twelve (12) months. The fair value of the leased asset is \$1,005,088. Amortization of the leased asset recorded under this lease is included with depreciation/amortization expense in the accompanying financial statements.

Future minimum lease payments and the present value of the minimum lease payments as of June 30 are as follows:

Fiscal Year	Total	Principal	Interest
Ending June 30			
2024	229,152	195,718	33,434
2025	236,028	214,858	21,170
2026	243,108	235,388	7,720
Total	<u>\$ 708,288</u>	<u>\$ 645,964</u>	<u>\$ 62,324</u>

The imputed interest rate is 6 percent.

**HERITAGE CHARTER ACADEMY, INC.**

**A Charter School and Component Unit of the District School Board of Lee County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

**10. CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Long-Term Lease Payable	832,631	-	(186,667)	645,964	195,718
Total Governmental Activities	<u>\$ 832,631</u>	<u>\$ -</u>	<u>\$ (186,667)</u>	<u>\$ 645,964</u>	<u>\$ 195,718</u>

**11. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the School's State revenue:

Source	Amount
Florida Education Finance Program	\$ 1,287,255
Categorical Programs:	
Class Size Reduction	185,967
Charter School Capital Outlay	97,962
Miscellaneous	5,637
Total State Revenue	<u>\$ 1,576,821</u>

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$71,010.

**12. DEFICIT FUND BALANCE AND DEFICIT NET POSITION BALANCE**

The School reported a deficit total net position balance of \$197,419 on the statement of net position and a deficit total fund balance of \$228,819 at June 30, 2023. The School is aware of its deficit balances and continues to make adjustments to its future budgets to alleviate these deficits.

**13. RISK MANAGEMENT PROGRAMS**

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 for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

# HERITAGE CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Lee County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 14. OPERATING AGREEMENTS

**Services Agreement** – The School entered into a management agreement commencing July 1, 2019, with CHOICE Charter School Services, LLC (the “Company”). The term of this agreement shall be for the duration of the School’s charter. Thereafter the agreement will renew with any renewals to the School’s charter. The contract calls for the Company to professionally operate the School. The Company is to provide services in the areas of Finance, Board of Directors, Grant Solicitation, Annual Reporting, School Board Representation and Facility Identification, Expansion, Design and Development. The agreement includes various other responsibilities of the Company involving school operations and reporting requirements. The contract provides for a base fee of 10 percent of the full time equivalent (FTE) per annum. Under this contract, the School incurred \$134,919 of expense for the 2022-23 fiscal year. The Company received payments for \$18,837 of these fees. The Company donated \$67,202 of these fees to the School and this amount is shown as a contribution in local and other revenue on the Statement of Activities and shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. In addition, the School booked an increase to line of credit to total \$30,384 more fully disclosed in Note 7 to the financial statements.

### 15. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2023, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

### 16. FUNDING AND CREDIT RISK CONCENTRATIONS

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget-based contracts. The continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

### 17. LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. The School has no legal actions or pending proceedings in progress.

**HERITAGE CHARTER ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND & SPECIAL REVENUE FUND - (UNAUDITED)**  
*For the Fiscal Year Ended June 30, 2023*

	General Fund				Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>								
Intergovernmental:								
Federal Through State and Local State	\$ 1,651,453	\$ 1,476,863	\$ 1,476,863	\$ -	\$ 97,553	\$ 363,703	\$ 363,703	\$ -
Local and Other	28,149	109,447	109,447	-	-	489	489	-
Total Revenues	<u>1,679,602</u>	<u>1,686,319</u>	<u>1,686,319</u>	<u>-</u>	<u>97,553</u>	<u>371,382</u>	<u>371,382</u>	<u>-</u>
<b>Expenditures:</b>								
Current - Education:								
Instruction	779,699	746,704	746,704	-	-	209,680	209,680	-
Student Support Services	46,712	62,062	62,062	-	-	49,000	49,000	-
Instructional Staff Training	2,000	-	-	-	-	-	-	-
Instructional Related Technology	33,436	22,671	22,671	-	-	6,014	6,014	-
Board	184,360	216,562	216,562	-	-	-	-	-
School Administration	170,263	178,358	178,358	-	-	-	-	-
Fiscal Services	5,842	6,165	6,165	-	-	-	-	-
Food Services	-	-	-	-	118,688	84,354	84,354	-
Student Transportation	66,300	78,425	78,425	-	-	-	-	-
Operation of Plant	265,798	175,489	175,489	-	-	22,269	22,269	-
Maintenance of Plant	14,378	22,150	22,150	-	-	12,106	12,106	-
Community Service	-	6,181	6,181	-	-	-	-	-
Fixed Capital Outlay:								
Other Capital Outlay	-	10,712	10,712	-	-	-	-	-
Debt Service:								
Principal	47,106	88,705	88,705	-	-	-	-	-
Interest	1,947	44,803	44,803	-	-	-	-	-
Total Expenditures	<u>1,617,841</u>	<u>1,658,987</u>	<u>1,658,987</u>	<u>-</u>	<u>118,688</u>	<u>383,423</u>	<u>383,423</u>	<u>-</u>
Excess (Deficiency) of Revenues								
Over Expenditures	<u>61,761</u>	<u>27,332</u>	<u>27,332</u>	<u>-</u>	<u>(21,135)</u>	<u>(12,041)</u>	<u>(12,041)</u>	<u>-</u>
Other Financing Sources (Uses):								
Transfers In/(Out)	<u>(21,135)</u>	<u>(12,041)</u>	<u>(12,041)</u>	<u>-</u>	<u>21,135</u>	<u>12,041</u>	<u>12,041</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(21,135)</u>	<u>(12,041)</u>	<u>(12,041)</u>	<u>-</u>	<u>21,135</u>	<u>12,041</u>	<u>12,041</u>	<u>-</u>
Net Change in Fund Balances	40,626	15,291	15,291	-	-	-	-	-
Fund Balances, July 1, 2022	(244,110)	(244,110)	(244,110)	-	-	-	-	-
Fund Balances, June 30, 2023	<u>\$ (203,484)</u>	<u>\$ (228,819)</u>	<u>\$ (228,819)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report

**HERITAGE CHARTER ACADEMY, INC.**

**A Charter School and Component Unit of the District School Board of Lee County, Florida**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2023**

**1. BUDGETARY BASIS OF ACCOUNTING**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

Members:  
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American Institute of CPAs  
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**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***

**Independent Auditor's Report**

To the Board of Directors of the Heritage Charter Academy, Inc.  
a Charter School and Component Unit of the District  
School Board of Lee County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Heritage Charter Academy, Inc. ("School"), and a component unit of the District School Board of Lee County, Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 24, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, professional style.

August 24, 2023  
Tampa, Florida



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**Management Letter as Required by Rules of the Florida Auditor General,  
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of the Heritage Charter Academy, Inc.  
a Charter School and Component Unit of the District  
School Board of Lee County, Florida

We have audited the financial statements of the Heritage Charter Academy, Inc. (“School”), a Charter School and Component Unit of the District School Board of Lee County, Florida, as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated August 24, 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 those reports and schedule, which are dated August 24, 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. Corrective actions have been taken to address 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 are Heritage Charter Academy, Inc., 364231.

## **Financial Condition and Management**

Sections 10.854(1)(e)2. And 10.855(11), Rules of the Auditor General, requires us to apply appropriate procedures and communicate whether or not Heritage Charter Academy, Inc. has meet one or more conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the School did not meet conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

## **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its 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 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 the Board of Directors, applicable management, and District School Board of Lee County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

August 24, 2023  
Tampa, Florida