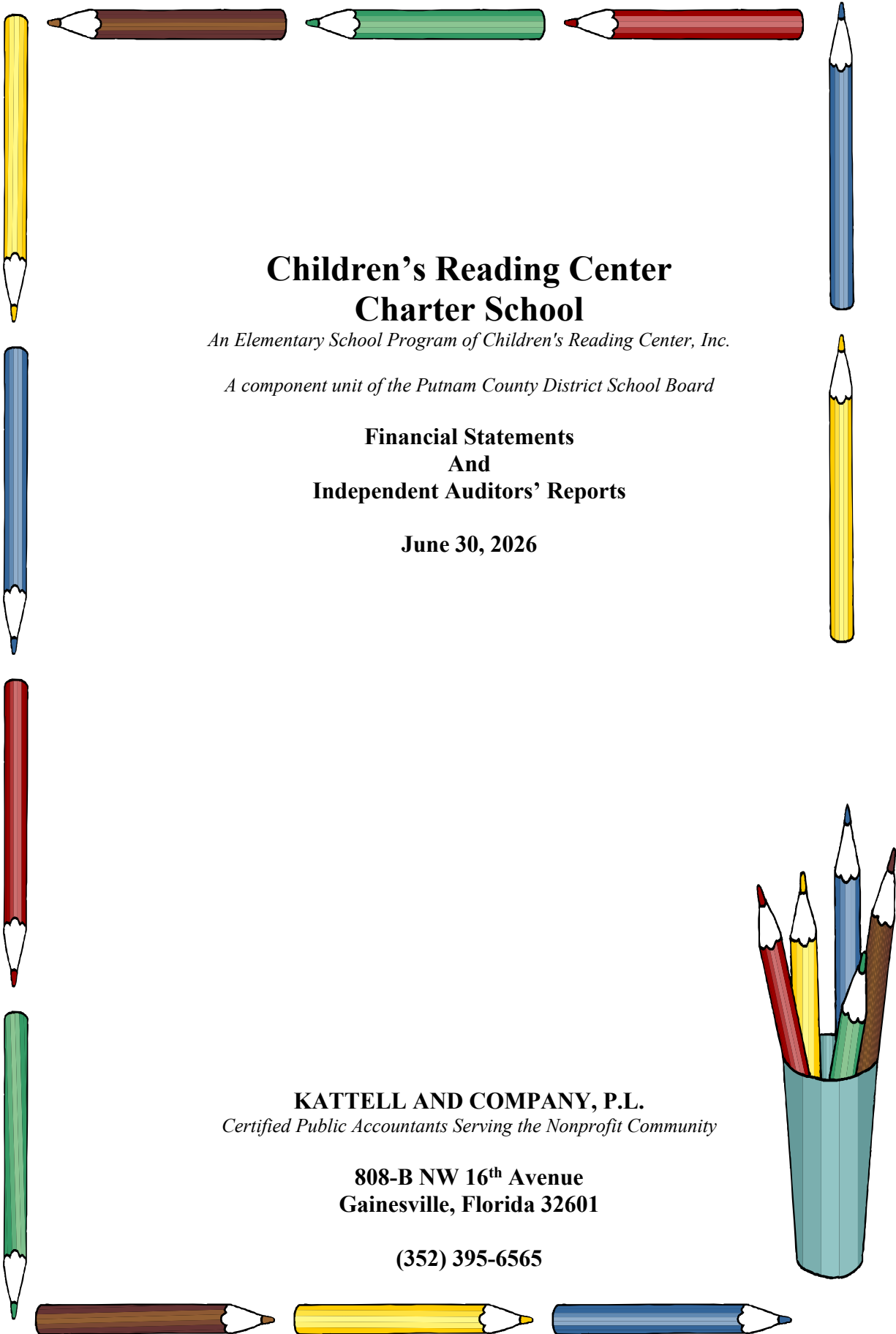


A decorative border of colored pencils surrounds the text. The pencils are arranged in a rectangular frame. The top row has four pencils: yellow, brown, green, and red. The right side has two pencils: blue and yellow. The bottom right corner features a blue pencil holder containing five pencils: red, yellow, blue, green, and brown. The bottom row has three pencils: brown, yellow, and blue. The left side has three pencils: blue, red, and green.

Children's Reading Center Charter School

An Elementary School Program of Children's Reading Center, Inc.

A component unit of the Putnam County District School Board

Financial Statements And Independent Auditors' Reports

June 30, 2026

KATTELL AND COMPANY, P.L.

Certified Public Accountants Serving the Nonprofit Community

**808-B NW 16th Avenue
Gainesville, Florida 32601**

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Financial Statements and Independent Auditors' Reports

June 30, 2026

Children's Reading Center Charter School

A component unit of the Putnam County District School Board

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808-B NW 16th Avenue Gainesville, Florida 32601 352-395-6565 kattell.com

INDEPENDENT AUDITORS' REPORT

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

August 28, 2026

Report on the Audit of the Financial Statements

Opinion

We have audited the special purpose financial statements of Children's Reading Center Charter School (the School), a component unit of the Putnam County School District Board, which comprise the statement of financial position as of June 30, 2026, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2026, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 opinion.

Emphasis of Matter – Special Purpose Financial Statements

We draw attention to Note 1 to the financial statements which explains that these financial statements are for the Children's Reading Center Charter School only and are not intended to present the financial position, changes in net assets or cash flows of Children's Reading Center, Inc. As a result, these financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

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.

Auditors' 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 auditors' 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 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.

"Not everything that counts can be counted, and not everything that can be counted counts."

-Albert Einstein

Report on the Audit of the Financial Statements (concluded)

Auditors' Responsibilities for the Audit of the Financial Statements (concluded)

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.

Report on Summarized Comparative Information. We have previously audited the School's 2025 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 25, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2026, 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.

Kattell and Company, P.C.

Statement of Financial Position
June 30, 2026
(with summarized information for 2025)
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

	2026	2025
Assets		
Cash	\$ 441,401	\$ 468,550
Grants Receivable	36,733	22,486
Due from Children's Reading Center, Inc.	--	17,775
Prepaid Expenses	32,144	34,052
Investments	1,522,819	1,420,056
Capital Assets:		
Furniture and Equipment	397,640	391,262
Leasehold Improvements	690,229	597,818
Improvements other than Building	116,043	106,297
Computer Software	6,361	6,361
Operating Lease Right-of-Use Asset	1,203,289	1,304,327
Less: Accumulated Depreciation	<u>(649,436)</u>	<u>(584,305)</u>
Net Capital Assets	<u>1,764,126</u>	<u>1,821,760</u>
Total Assets	<u>\$ 3,797,223</u>	<u>\$ 3,784,679</u>
Liabilities and Net Assets		
Liabilities:		
Retirement Payable	\$ 234,342	\$ 219,945
Accounts Payable and Accrued Expenses	43,492	39,981
Due to Children's Reading Center, Inc.	6,225	--
Operating Lease Liability	<u>853,289</u>	<u>924,327</u>
Total Liabilities:	1,137,348	1,184,253
Net Assets:		
Without Donor Restrictions:		
Investment in Property and Equipment	910,837	897,433
Other	<u>1,749,038</u>	<u>1,650,767</u>
Total Without Donor Restrictions	2,659,875	2,548,200
With Donor Restrictions	<u>--</u>	<u>52,226</u>
Total Net Assets	<u>2,659,875</u>	<u>2,600,426</u>
Total Liabilities and Net Assets	<u>\$ 3,763,334</u>	<u>\$ 3,784,679</u>

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2026
(with summarized information for 2025)
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

	2026			2025
	Without Donor	With		
	<u>Restrictions</u>	<u>Donor</u>	<u>Restrictions</u>	<u>Total</u>
			<u>Total</u>	
Contributions:				
Florida Education Finance Program	\$ 2,292,333	\$ --	\$ 2,292,333	\$ 2,369,942
Federal Grants	143,508	--	143,508	160,315
Capital Outlay Funds	186,551	--	186,551	242,445
ERATE Grant	7,344	--	7,344	7,344
Other State Sources	27,994	--	27,994	41,019
Other Contributions	30,220	--	30,220	9,867
Other Revenues	33,032	--	33,032	35,572
Net Assets Released from Restrictions	<u>52,226</u>	<u>(52,226)</u>	<u>--</u>	<u>--</u>
Total Revenue	2,773,208	(52,226)	2,720,982	2,866,504
Expenses:				
Program Services	2,693,446	--	2,693,446	2,686,186
General and Administrative	<u>70,850</u>	<u>--</u>	<u>70,850</u>	<u>75,753</u>
Total Expenses	<u>2,764,296</u>	<u>--</u>	<u>2,764,296</u>	<u>2,761,939</u>
Net of Revenue less Expenses	8,912	(52,226)	(43,314)	104,565
Net Investment Return	<u>102,763</u>	<u>--</u>	<u>102,763</u>	<u>52,536</u>
Change in Net Assets	111,675	(52,226)	59,499	157,101
Net Assets, Beginning	<u>2,548,200</u>	<u>52,226</u>	<u>2,600,426</u>	<u>2,443,325</u>
Net Assets, End	<u>\$ 2,659,875</u>	<u>\$ --</u>	<u>\$ 2,659,875</u>	<u>\$ 2,600,426</u>

See accompanying notes.

Statement of Functional Expenses
For the Year Ended June 30, 2026
(with summarized information for 2025)
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

	2026		
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries, Taxes and Benefits	\$ 2,195,974	\$ 15,052	\$ 2,211,026
Curriculum and Materials	33,778	--	33,778
Depreciation	61,874	3,257	65,131
Insurance	25,899	1,363	27,262
Occupancy	243,944	10,785	254,729
Office Supplies	32,669	727	33,396
Professional Fees	21,061	39,666	60,727
Staff Training	21,452	--	21,452
Transportation	56,795	--	56,795
Total Functional Expenses	<u>\$ 2,693,446</u>	<u>\$ 70,850</u>	<u>\$ 2,764,296</u>

	2025		
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries, Taxes and Benefits	\$ 2,154,498	\$ 15,254	\$ 2,169,752
Curriculum and Materials	50,315	--	50,315
Depreciation	60,843	3,202	64,045
Insurance	25,449	1,339	26,788
Occupancy	217,562	10,515	228,077
Office Supplies	47,380	1,070	48,450
Professional Fees	4,328	44,373	48,701
Staff Training	74,089	--	74,089
Transportation	51,722	--	51,722
Total Functional Expenses	<u>\$ 2,686,186</u>	<u>\$ 75,753</u>	<u>\$ 2,761,939</u>

See accompanying notes.

Statement of Cash Flows
June 30, 2026
(with summarized information for 2025)
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

	<u>2026</u>	<u>2025</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 59,449	\$ 157,101
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Net Gain on Investment	(102,763)	(52,536)
Prepaid Rent Expensed - Lease	30,000	30,000
Depreciation	65,131	64,045
Changes In:		
Receivables	3,528	282,091
Prepays	1,908	(17,601)
Accounts Payable and Accrued Expenses	<u>24,133</u>	<u>(48,801)</u>
Net Cash Provided by (Used In) Operating Activities	81,386	414,299
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(108,535)	(40,218)
Purchase of Annuity	<u>--</u>	<u>(750,000)</u>
Net Cash Provided by (Used In) Investing Activities	<u>(108,535)</u>	<u>(790,218)</u>
Net Increase (Decrease) in Cash	(27,149)	(375,919)
Cash, Beginning	<u>468,550</u>	<u>844,469</u>
Cash, End	<u>\$ 441,401</u>	<u>\$ 468,550</u>

Non-Cash Investing and Financing Activities

The change in the right of use lease asset is comprised of the following:

Beginning of Year Right of Use Lease Asset	\$ 1,304,327	\$ 1,438,956
Prepaid Rent Expensed	(30,000)	(30,000)
Change in Lease Liability	<u>(71,038)</u>	<u>(104,629)</u>
End of Year Right of Use Lease Asset	<u>\$ 1,203,289</u>	<u>\$ 1,304,327</u>

See accompanying notes.

Notes to the Financial Statements
June 30, 2026
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Children's Reading Center, Inc. is a not-for-profit corporation organized in 1999 pursuant to Chapter 617, Florida Statutes and the Florida Not-for-Profit Corporation Act. In 2003, the Children's Reading Center, Inc. began operating Children's Reading Center Charter School (the "School"), an elementary school in Palatka, Florida. These special purpose financial statements are those of the School only, and are not intended to present the financial position, changes in net assets or cash flows of Children's Reading Center, Inc. In accordance with the provisions of paragraph 10.855(3), Rules of the Auditor General, these special purpose financial statements are prepared in accordance with the provisions of the Financial Accounting Standards Board as applicable to not-for-profit organizations.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Putnam County District School Board (the "District"). The current charter is effective until June 30, 2030 and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

The School taught 278 and 294 students for the years ended June 30, 2026 and 2025, respectively, in grades K-6.

Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting and are presented using accounting principles generally accepted in the United States of America, as applicable for not-for-profit corporations. (U.S. GAAP)

Tax Exempt Status

Children's Reading Center, Inc. and its programs are exempt from income taxes according to provisions of Section 501(c)(3) of the Internal Revenue Code and the School has not earned any unrelated business income. Therefore, the School has no provision for federal income taxes. In addition, the Children's Reading Center, Inc. has been classified by the Internal Revenue Service as an organization that is not a private foundation and qualifies for the charitable contribution deduction. The School is operated exclusively for charitable, scientific and educational purposes; specifically, the operation of a charter school in Putnam County, Florida.

Cash and Cash Equivalents

Cash consists of deposits in financial institutions. Such deposits qualify as public deposits and are insured by Florida's Public Deposits Program as defined in Section 280.02, Florida Statutes. The School has no policy regarding deposit custodial credit risk.

Investments

Investments are reported at fair value.

Receivables

Receivables are deemed fully collectable and no allowance for doubtful accounts has been recorded. There are no identifiable concentrations of credit risk related to these amounts.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of 3-15 years.

Notes to the Financial Statements
June 30, 2026
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Net Assets

Investment in Property and Equipment. This amount is computed as capital assets less depreciation less any lease liabilities.

Revenue Recognition – Contracts with Customers

Other Revenues. The School receives fees from students for field trips, yearbooks and other student fees. These revenues are recognized at a point in time. There are no significant contract assets or liabilities reported in the Statement of Financial Position.

Revenue Recognition - Contributions

Student Funding. Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent students (FTEs) and related data to the District. Under the provisions of Florida Statutes, the District reports the number of FTEs and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under FEFP and the actual weighted FTEs reported by the School during the designated full-time equivalent student survey periods. FEFP funding is paid to the School monthly. All amounts are reported as revenue within the fiscal year.

Contributions. Contributions are recorded at fair value when received.

Government Grants. The School receives financial assistance in the form of government grants that are provided on a cost-reimbursement basis. These grants are considered conditional contributions. Grant revenues are recognized as the conditions are met, that is when allowable expenses are incurred. This assistance is generally based on applications submitted to and approved by the granting agency.

Compensated Absences

Employees earn vacation and sick time each fiscal year. Vacation time must be used or paid out during each fiscal year. Sick time may be used, paid out, or up to five days can be rolled-forward each year. Sick time is never paid out at termination.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States, requires management to make various estimates. Actual results could differ from those estimates.

Prior Year Information

Certain prior year information may be presented differently in order to conform to the current year presentation.

Functional Allocation of Expenses

The operating expenses of the School are reported in various functional categories. Direct expenses are assigned to the various functional categories based on the purpose achieved by each expense. Salary expense, office, occupancy, insurance and depreciation expenses are allocated to more than one functional category based on management's estimate of time engaged in each of the functions. Expenses are classified in the following functional categories:

Program Services – Program services consist of direct costs of teaching elementary school students and an allocation of overhead costs.

Management and General – Management and General expenses are those that provide governance, oversight, business and financial management, financial recordkeeping, budgeting, legal, and human resource management services.

Fundraising Expenses – Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Expenses include the cost of publicizing and conducting fundraising campaigns, maintaining donor lists, conducting fundraising events, and any other activities that solicit contributions from corporations, foundations, individuals and others. The School incurs no costs in soliciting contributions.

Notes to the Financial Statements
June 30, 2026
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

NOTE 2 – INVESTMENTS

At June 30, 2026, the School held two annuity contracts with an aggregate fair value of \$1,522,819. The annuity contracts have five-year terms expiring in 2030. Investment income and changes in the fair value of the annuity contracts are recognized as increases or decreases in net assets without donor restrictions in the accompanying Statement of Activities. The annuity contracts are classified as Level 2 investments within the fair value hierarchy because their fair values are determined using observable inputs other than quoted prices in active markets for identical assets.

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity was as follows:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026
Furniture and Equipment	\$ 391,262	\$ 6,378	\$ --	\$ 397,640
Leasehold Improvements	597,818	92,411	--	690,229
Improvements other than Building	106,297	9,746	--	116,043
Right of Use Asset	1,304,327	--	(101,038)	1,203,289
Computer Software	6,361	--	--	6,361
	<u>2,406,065</u>	<u>108,535</u>	<u>(101,038)</u>	<u>2,413,562</u>
Accumulated Depreciation	(584,305)	(65,131)	--	(649,436)
Net Capital Assets	<u>\$ 1,821,760</u>	<u>\$ 43,404</u>	<u>\$ (101,038)</u>	<u>\$ 1,764,126</u>

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Furniture and Equipment	\$ 356,844	\$ 34,418	\$ --	\$ 391,262
Leasehold Improvements	592,018	5,800	--	597,818
Improvements other than Building	106,297	--	--	106,297
Right of Use Asset	1,438,956	--	(134,629)	1,304,327
Computer Software	6,361	--	--	6,361
	<u>2,500,476</u>	<u>40,218</u>	<u>(134,629)</u>	<u>2,406,065</u>
Accumulated Depreciation	(520,260)	(64,045)	--	(584,305)
Net Capital Assets	<u>\$ 1,980,216</u>	<u>\$ (23,827)</u>	<u>\$ (134,629)</u>	<u>\$ 1,821,760</u>

NOTE 4 – NET ASSETS WITH RESTRICTIONS

Net Assets with Restrictions consists of District funding restricted to capital outlay expenditures.

NOTE 5 – EMPLOYEE RETIREMENT PLAN

The School participates in a profit-sharing pension plan, a non-contributory defined contribution pension plan for the benefit of all full-time employees who have completed one year of service. Contributions to the plan are 14.03% and 13.63% of eligible salaries for the years ending June 30, 2026 and 2025, respectively. Retirement plan contributions amounted to \$228,795 and \$216,411 for the years ended June 30, 2026 and 2025, respectively.

Notes to the Financial Statements
June 30, 2026
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

NOTE 6 – OPERATING LEASES

Operating lease right of use assets and liabilities consist of the following at June 30, 2026:

	<u>Advance</u>	<u>Liability</u>	<u>Total</u> <u>ROU Asset</u>
Main Campus	\$ 125,000	\$ 853,289	\$ 978,289
Sixth Grade Center	225,000	--	225,000
Totals	<u>\$ 350,000</u>	<u>\$ 853,289</u>	<u>\$ 1,203,289</u>

The School has two lease agreements with the Children's Reading Center, Inc.

In September 2020, the School entered into an agreement to lease its main campus. The lease requires monthly payments of \$12,500 and expires in November 2033. The School made a prepayment of \$125,000, which is to be applied to the final ten months of the lease term. The School accounts for the arrangement as an operating lease and recognized a right-of-use (ROU) asset and lease liability based on the present value of the lease payments over the lease term. The School used an estimated incremental borrowing rate of 4.5% to determine the present value of the lease payments. At June 30, 2026 and 2025, the operating lease right-of-use asset related to the main campus lease was \$978,289 and \$1,049,327, respectively, and the related lease liability was \$853,289 and \$924,327, respectively. Rent expense related the main campus lease was \$150,000 for each of the years ended June 30, 2026 and 2025.

In 2022, the School entered into a Memorandum of Understanding with The Children's Reading Center, Inc. to lease a sixth-grade center. Under the agreement, the School advanced rent payments covering the first ten years of the arrangement. The agreement provides for monthly rent of \$2,500 through December 2033. The School took occupancy of the sixth-grade center in January 2024 and accounts for the arrangement as an operating lease. At June 30, 2026 and 2025, the operating lease right-of-use asset related to the sixth-grade center was \$225,000 and \$255,000, respectively. The related lease liability was \$0 at both June 30, 2026 and 2025 because the rent payments were prepaid.

Changes in the lease liability for the years ended June 30, 2026 and 2025 are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balance</u>
2026	<u>\$ 924,327</u>	<u>\$ --</u>	<u>\$ 71,038</u>	<u>\$ 853,289</u>
2025	<u>\$ 1,028,956</u>	<u>\$ --</u>	<u>\$ 104,629</u>	<u>\$ 924,327</u>

The following schedule displays the composition of future minimum payments and total expense for the two agreements:

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Use of</u> <u>Prepaid</u>	<u>Cash</u>	<u>Total</u> <u>Expense</u>
2027	\$ 30,000	\$ 150,000	\$ 180,000
2028	30,000	150,000	180,000
2029	30,000	150,000	180,000
2030	30,000	150,000	180,000
2031	30,000	150,000	180,000
2032	30,000	150,000	180,000
2033	92,500	87,500	180,000
2034	77,500	--	77,500
Total	<u>\$ 350,000</u>	<u>\$ 987,500</u>	<u>\$ 1,337,500</u>

Notes to the Financial Statements
June 30, 2026
Children's Reading Center Charter School
A component unit of the Putnam County District School Board

NOTE 7 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are all financial assets without donor or other restrictions limiting their use. Financial assets consist of the following at June 30:

	<u>2026</u>	<u>2025</u>
Financial Assets		
Cash	\$ 441,401	\$ 468,550
Receivables	36,733	40,261
Investments	<u>1,522,819</u>	<u>1,420,056</u>
Total Financial Assets	2,000,953	1,928,867
Less Investment Withdrawal Penalty	<u>(104,340)</u>	<u>(61,233)</u>
Amount available for general expenditures with one year	<u>\$ 1,896,613</u>	<u>\$ 1,867,634</u>

The School regularly monitors liquidity requirements to ensure that sufficient financial assets are available to meet its general expenditures and liabilities as they come due. The School maintains cash in two checking accounts and holds two annuity contracts that are included in investments in the accompanying Statement of Financial Position. As of June 30, 2026, the School's annuity contracts have an aggregate fair value of \$1,522,819. Of this amount, \$104,340 is subject to forfeiture upon early withdrawal and, accordingly is not considered available for general expenditures. The remaining \$1,418,479 is available for withdrawal and may be used for general expenditures, subject to the terms of the annuity contract. The School does not generally experience cash flow deficits and has not established formal arrangement for financing cash flow deficits. The School does not maintain other formal investment vehicles for excess cash.

NOTE 8 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage for the years ended June 30, 2026, 2025 and 2024.

NOTE 9 – CONTINGENCIES

In 2023, the Florida Auditor General performed an audit of the School's compliance with requirements for documentation of recorded class attendance reports for school year ending June 30, 2023. The audit revealed a lack of compliance which could result in a required repayment of FEFP funding. The School is cooperating with the District and the Auditor General, to provide documentation supporting the claimed student enrollment. The School is not able to estimate the ultimate outcome of this audit.

The School is subject to occasional lawsuits and claims arising in the normal course of business. In the opinion of management, the ultimate disposition of these matters, if any, will not have a significant impact on the financial position of the School.

NOTE 10 – SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2025, from which the summarized information was derived.

NOTE 11 – SUBSEQUENT EVENTS

The School evaluated events and transactions for potential recognition or disclosure through August 28, 2026, which is the date the financial statements were available to be issued.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 352-395-6565 kattell.com

MANAGEMENT LETTER

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

August 28, 2026

Report on the Financial Statements. We have audited the financial statements of Children's Reading Center Charter School (the School), as of and for the fiscal year ended June 30, 2026, and have issued our report thereon dated August 28, 2026.

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

Other Reporting Requirements. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*. Disclosures in that report, which is dated August 28, 2026, 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 findings in the prior year.

Official Title. Section 10.854(1)(e)5, Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity is Children's Reading Center Charter School, and the school code assigned by the Florida Department of Education is 54-0051.

Financial Condition and Management.

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

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

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

Transparency. Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes at August 7, 2026, the date of our procedures.

Additional Matters. Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not identify any such noncompliance.

Purpose of this Letter. Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the local district school board, the Board of Directors and management of the School, and is not intended to be and should not be used by anyone other than these specified parties.

* * * * *

Thank you for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or any other matters.

Kattell and Company, P.L.

Kattell and Company, P.L.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Children's Reading Center Charter School

August 28, 2026

We have audited the special purpose financial statements of Children's Reading Center Charter School (the "School"), a component unit of Putnam County District School Board, as of and for the year ended June 30, 2026, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 28, 2026. Our report was modified to explain that the School is a program of Children's Reading Center, Inc. and prepares special purpose financial statements that are not intended to be a complete presentation of financial position, changes in net assets and cash flows of Children's Reading Center, Inc. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2026-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

* * * * *

As required by the Rules of the Auditor General of the State of Florida, we reported certain matters to management of the School in the attached Management Letter dated August 28, 2026.

Kattell and Company, P.L.

Schedule of Findings
June 30, 2026
Children's Reading Center Charter School
A Component Unit of the Putnam County District School Board

2026-001 Significant Deficiency

Condition. As part of our audit, we identified more than a trivial number and amount of errors and adjustments.

Criteria

Management is responsible for maintaining an internal control process that provides reasonable assurance that transactions are accurately recorded, account balances are properly supported and reconciled, and financial information is complete and accurate.

Cause

The School's month-end close and account reconciliation procedures were not sufficiently formalized or consistently performed.

Effect

Errors remained in the general ledger until identified during the audit.

Recommendation

Monthly accounting processes should include timely reconciliation and review of general ledger accounts and balances.



August 28, 2026

Dear Kattell and Company,

We have read and understand the findings for the 2026 Children's Reading Center Charter School independent financial audit and are taking measures to correct the findings in the future.

Thank you for your assistance with our audit this year.

Sincerely,

Jacqueline England
Jacqueline England

Principal

The Children's Reading Center Charter School
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Jacqueline England, Principal

"This institution is an equal opportunity provider and employer."