

**ROYAL PALM CHARTER
SCHOOL, INC.**

**Basic Financial Statements and
Supplemental Information**

June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Royal Palm Charter School, Inc.
Palm Bay, Florida

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Royal Palm Charter School, Inc. (the "School"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the School as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedules information on pages 3-5 and 23-25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2020, 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida
October 8, 2020

Management's Discussion and Analysis

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- The School's overall net position increased by \$94,921.
- Total ending unrestricted net position was \$317,922.
- The School had total expenses for the year of \$2,912,726, compared to revenues of \$3,007,647.
- The School educated 339 and 336 students in the years ending June 30, 2020 and 2019, respectively, serving grades K-8.
- During the current fiscal year, the School secured a \$392,860 loan under the Paycheck Protection Program ("PPP") established by the Coronavirus Aid Relief, and Economic Security Act ("CARES Act").

Overview of the Basic Financial Statements

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

Government-wide Financial Statements. The first financial statement is the Statement of Net Position. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid, net position, the difference between assets and liabilities, can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements. Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

The School maintains three individual governmental funds, the General Fund, Capital Outlay Fund, and Debt Service Fund. These funds are considered to be major funds and, accordingly, they are separately displayed.

Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the fund's financial position. A reconciliation is provided

with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about net position and changes in net position.

	2020 Governmental Activities	2019 Governmental Activities	Variance
Net Position			
Assets			
Current assets	\$ 714,287	\$ 222,076	\$ 492,211
Capital assets - net	3,168,091	3,257,387	(89,296)
Total assets	<u>3,882,378</u>	<u>3,479,463</u>	<u>402,915</u>
Liabilities			
Current liabilities	3,505	56,574	(53,069)
Non-current liabilities	3,355,883	2,994,820	361,063
Total liabilities	<u>3,359,388</u>	<u>3,051,394</u>	<u>307,994</u>
Net position			
Investment in capital assets	205,068	262,567	(57,499)
Unrestricted	317,922	165,502	152,420
Total net position	<u>\$ 522,990</u>	<u>\$ 428,069</u>	<u>\$ 94,921</u>
Change in Net Position			
Revenues:			
Program revenues:			
Charges for services	\$ 10,526	\$ 14,559	\$ (4,033)
Operating grants and contributions	307,502	269,361	38,141
Capital grants and contributions	171,163	163,856	7,307
General revenues:			
Florida Education Finance Program	2,392,768	2,357,586	35,182
Other state revenues	37,934	48,237	(10,303)
Other local revenue	87,754	126,381	(38,627)
Total revenue	<u>3,007,647</u>	<u>2,979,980</u>	<u>27,667</u>
Program expenses:			
Instruction	1,832,271	1,662,585	169,686
General support	477,545	554,200	(76,655)
Fiscal services	12,100	13,312	(1,212)
Food services	97,947	107,207	(9,260)
Operation of plant	220,633	460,246	(239,613)
Maintenance of plant	2,613	34,259	(31,646)
Proprietary and fiduciary expenses	22,932	38,067	(15,135)
Community service	39,683	26,571	13,112
Debt service	207,002	129,862	77,140
Total expenses	<u>2,912,726</u>	<u>3,026,309</u>	<u>(113,583)</u>
Change in net position	94,921	(46,329)	141,250
Net position - beginning	428,069	474,398	(46,329)
Net position - ending	<u>\$ 522,990</u>	<u>\$ 428,069</u>	<u>\$ 94,921</u>

Governmental Activities. The governmental activities generated \$181,689 in program revenues and \$2,825,958 of general revenues, and incurred \$2,912,726 of program expenses. This resulted in a \$94,921 increase in net position.

The School's Individual Funds

General Fund. The fund balance of the General Fund increased by \$545,455 from \$152,026 to \$697,481.

Capital Outlay Fund. The fund balance of the Capital Outlay Fund decreased by \$175 from \$13,476 to \$13,301.

Debt Service Fund. The fund balance of the Debt Service Fund remained the same at \$0.

Budgetary Highlights

General Fund. Actual revenues exceeded originally budgeted revenues by \$97,188, due to the increased FTE count for the year and increased amount of revenue per FTE student. Actual expenditures were more than originally budgeted expenditures by \$34,171 due to the School additional expenditures, which were not in the original budgetary estimate. The Board of Directors amends the School's budget throughout the fiscal year to reflect changes in expected revenue and expenditures and changes in FTE counts. The Board of Directors has approved a motion to adjust the 2020 general fund budget to the actual 2020 general fund year-end financials. Thus, the final approved general fund budget is equal to the general fund statements of revenues, expenditures, and changes in fund balances. The budgetary information can be found on pages 23 through 25 of this report.

Capital Assets and Debt Administration

Capital Assets. The School experienced minimal capital asset activity for the year. Please refer to a note to the accompanying financial statements entitled capital assets and depreciation for more detailed information about the School's capital asset activity.

Debt Administration. The School incurred new debts in relation to the PPP funds which were received during the year and made scheduled payments on existing obligations. Please refer to a note to the accompanying financial statements entitled long term liabilities for more detailed information about the School's long-term debt activity.

Economic Factors

The School is aware that the COVID-19 outbreak is expected to have an effect on the School's financial position and results of operations. See the subsequent event footnote for further information.

Contacting The School's Financial Management

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Shannon Shupe, Director, Royal Palm Charter School, 7145 South Babcock St., S.E., Palm Bay, FL 32909.

ROYAL PALM CHARTER SCHOOL, INC.

STATEMENT OF NET POSITION

June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 567,100
Accounts receivable	101,207
Prepaid items	26,958
Deposits	<u>19,022</u>
Total current assets	<u>714,287</u>
Capital assets, net of accumulated depreciation	
Non-depreciable capital assets	126,616
Depreciable capital assets, net	<u>3,041,475</u>
Total capital assets	<u>3,168,091</u>
Total assets	<u>3,882,378</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	<u>3,505</u>
Total current liabilities	3,505
NONCURRENT LIABILITIES	
Long-term debt	
Due within one year	230,023
Due in more than one year	<u>3,125,860</u>
Total liabilities	<u>3,359,388</u>
NET POSITION	
Investment in capital assets, net of related debt	205,068
Unrestricted	<u>317,922</u>
Total net position	<u><u>\$ 522,990</u></u>

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

ROYAL PALM CHARTER SCHOOL, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 1,347,073	\$ -	\$ 259,747	\$ -	\$ (1,087,326)
Exceptional instruction	242,916	-	-	-	(242,916)
Prekindergarten	58,332	-	-	-	(58,332)
Guidance services	52,120	-	-	-	(52,120)
Parental involvement	5,921	-	-	-	(5,921)
Staff training services	1,036	-	-	-	(1,036)
Instructional technology	124,873	-	-	-	(124,873)
General support	482,849	-	-	-	(482,849)
Fiscal services	12,100	-	-	-	(12,100)
Food services	97,947	10,526	47,755	-	(39,666)
Operation of plant	220,633	-	-	171,163	(49,470)
Maintenance of plant	2,613	-	-	-	(2,613)
Community service	39,683	-	-	-	(39,683)
Debt service	201,698	-	-	-	(201,698)
Proprietary and fiduciary expense	22,932	-	-	-	(22,932)
Total governmental activities	<u>\$ 2,912,726</u>	<u>\$ 10,526</u>	<u>\$ 307,502</u>	<u>\$ 171,163</u>	<u>(2,423,535)</u>
General revenues:					
State revenue					
Florida Education Finance Program					
Other state revenues					
Local revenue					
Other local revenues					
Total general revenues					
Change in net position					
Net position at July 1, 2019					
Net position at June 30, 2020					
<u>\$ 522,990</u>					

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

ROYAL PALM CHARTER SCHOOL, INC.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Capital Outlay Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 567,100	\$ -	\$ -	\$ -	\$ 567,100
Accounts receivable	87,906	13,301	-	-	101,207
Prepaid items	26,958	-	-	-	26,958
Deposits	19,022	-	-	-	19,022
Total assets	<u>\$ 700,986</u>	<u>\$ 13,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 714,287</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 3,505	\$ -	\$ -	\$ -	\$ 3,505
Total liabilities	<u>3,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,505</u>
FUND BALANCES					
Nonspendable					
Prepaid items	26,958	-	-	-	26,958
Deposits	19,022	-	-	-	19,022
Unassigned	651,501	13,301	-	-	664,802
Total fund balances	<u>697,481</u>	<u>13,301</u>	<u>-</u>	<u>-</u>	<u>710,782</u>
Total liabilities and fund balances	<u>\$ 700,986</u>	<u>\$ 13,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 714,287</u>

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

ROYAL PALM CHARTER SCHOOL, INC.
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2020

Fund balances - total governmental funds	\$ 710,782
The net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets - Net of accumulated depreciation	3,168,091
Long-term debt are not due and payable in the current period and, therefore, not reported in the funds	<u>(3,355,883)</u>
Total net position of governmental activities	<u>\$ 522,990</u>

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

ROYAL PALM CHARTER SCHOOL, INC.

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2020

	General Fund	Capital Outlay Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Federal passed through state					
National School Lunch Program	\$ -	\$ -	\$ -	\$ 47,755	\$ 47,755
Title I	-	-	-	255,012	255,012
Title II	-	-	-	4,735	4,735
State passed through local school district					
Florida Education Finance Program	2,392,768	-	-	-	2,392,768
Public Education Capital Outlay	-	171,163	-	-	171,163
Other state revenues	37,934	-	-	-	37,934
Local revenue					
Student lunches	-	-	-	10,526	10,526
Other local revenues	87,754	-	-	-	87,754
Total revenues	<u>2,518,456</u>	<u>171,163</u>	<u>-</u>	<u>318,028</u>	<u>3,007,647</u>
Expenditures					
Current:					
Instruction	1,157,042	-	-	162,354	1,319,396
ESE expenses	242,916	-	-	-	242,916
Pre K	58,332	-	-	-	58,332
Guidance services	52,120	-	-	-	52,120
Staff training services	1,036	-	-	-	1,036
Parental involvement	-	-	-	5,921	5,921
Instructional technology	742	-	-	124,131	124,873
General support	482,849	-	-	-	482,849
Fiscal services	12,100	-	-	-	12,100
Food services	-	-	-	97,947	97,947
Operation of plant	159,014	-	-	-	159,014
Maintenance of plant	2,613	-	-	-	2,613
Community services	39,683	-	-	-	39,683
Proprietary and fiduciary expenses	22,932	-	-	-	22,932
Debt service:					
Principal	-	-	31,797	-	31,797
Interest	-	-	201,698	-	201,698
Total expenditures	<u>2,231,379</u>	<u>-</u>	<u>233,495</u>	<u>390,353</u>	<u>2,855,227</u>
Excess (deficiency) of revenues over (under) expenditures	<u>287,077</u>	<u>171,163</u>	<u>(233,495)</u>	<u>(72,325)</u>	<u>152,420</u>
Other financing sources (uses):					
Loan proceeds	-	-	392,860	-	392,860
Transfer in	258,378	-	-	72,325	330,703
Transfer (out)	-	(171,338)	(159,365)	-	(330,703)
Total other financing sources (uses)	<u>258,378</u>	<u>(171,338)</u>	<u>233,495</u>	<u>72,325</u>	<u>392,860</u>
Net change in fund balances	545,455	(175)	-	-	545,280
Fund balances at July 1, 2019	152,026	13,476	-	-	165,502
Fund balances at June 30, 2020	<u>\$ 697,481</u>	<u>\$ 13,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 710,782</u>

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

ROYAL PALM CHARTER SCHOOL, INC.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

Net change in fund balances - total government funds \$ 545,280

The change in net position reported for governmental activities
in the statement of activities is different because:

Governmental funds report fixed capital outlays as expenditures. However, in
the statement of activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Current year expenditures for capital assets	\$ 27,065	
Current year depreciation expense	<u>(116,361)</u>	
Total capital assets		(89,296)

The issuance of long-term debt provides current financial resources to
governmental funds, while the repayment of the principal of long-term debt
consumes current financial resources of governmental funds. Neither
transaction, however, has any effect on net position.

Proceeds from long-term debt		(392,860)
Principal payment on long-term debt		<u>31,797</u>

Change in net position of governmental activities \$ 94,921

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

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Royal Palm Charter School, Inc. conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

1. Reporting entity

Royal Palm Charter School, Inc. is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The not-for-profit corporation began conducting business as Royal Palm Charter School, Inc. (the "School") in 2006. The governing body of the School is the not-for-profit corporation's Board of Directors.

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 Brevard County District School Board (the "District"). The current charter is effective until June 30, 2031, 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.

Criteria for determining if other entities are potential component units of the School which should be reported with 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 provide 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.

2. Government-wide financial statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities. Any internal activity has been eliminated from the government-wide financial statements.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

2. Government-wide financial statements (continued)

The Statement of Net Position reports the School's financial position as of the end of the fiscal year. In this statement, the School's net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, other items not properly included among program revenues are reported instead as general revenues.

3. Fund financial statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The following funds are used by the School:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Capital Outlay Fund - The Capital Outlay Fund is used to account for financial resources associated with grants that are restricted to capital uses.

Debt Service Fund - The Debt Service Fund is used account for the resources accumulated and payments made for principal and interest on the mortgage

Other Governmental Funds – The Other Governmental Funds is used to account for specific revenue sources that are legally restricted to expenditures for specific purposes – i.e., National School Lunch Program, Title I, Title II, etc.

In the accompanying fund financial statements, the General Fund and Other Governmental Funds are considered to be major funds and, therefore, are separately displayed. The School also has a Capital Outlay Fund and Debt Service Fund which are a non-major funds.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

4. Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other items are considered to be measurable and available only when cash is received.

5. Cash and cash equivalents

Cash consists of deposits in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2020, there was \$331,812 held in excess of FDIC insurance coverage. The School has no history of loss due to exceeding coverage limitations. The School has no policy regarding deposit custodial credit risk.

6. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid assets are reported as "non-spendable" in the funds financial statements to indicate that prepaid items do not represent available expendable resources.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

7. 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 their acquisition value at the date of donation. Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements Other Than Buildings	5-15
Equipment Under Capital Lease	2-7
Furniture, Fixtures and Equipment	5-10
Building	40
Audio visual Equipment	5

8. 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 Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational Finance Program and the actual weighted FTE students reported by the School during the designated full-time equivalent student survey periods. The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

9. Long-term liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

10. Transfers

The purpose of interfund transfers is to cover receipts and payments made from the general fund on behalf of the other funds.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

11. Net position

Net position represents the difference between assets and liabilities and is reported in three categories as hereafter described. *Net investment in capital assets*, represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net position is reported as *restricted* when there are legal limitations imposed on its use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net position is net position that does not meet the definition of the classifications previously described. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

12. Fund equity

Governmental funds report separate classifications of fund balance.

Non-Spendable: The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors.

Assigned: Assigned fund balance is defined as amounts that are constrained by the intent of the School's Board of Directors to be used for specific purposes, but are neither restricted nor committed. The School has given the authority to assign fund balance to the School's Principal. Assigned fund balance includes spendable fund balance amounts established by the Principal that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the Principal. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

11. Fund equity (continued)

Unassigned: Unassigned fund balance is the residual classification for the general fund.

It is the policy of the School to use restricted resources to the extent which they are available, then committed resources, followed by assigned resources. Once these are consumed, the School will then use unassigned resources. The School does not have a formal policy requiring a minimum fund balance.

12. Use of estimates

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

13. New GASB pronouncements

The GASB issued Statement 84, Fiduciary Activities, which establishes criteria for the identification of fiduciary activities and provides guidance on reporting those activities. An activity meeting the criteria should be reported in a fiduciary fund. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The new guidance is effective for fiscal 2021.

The GASB issued Statement No. 87, Leases, which establishes new guidance for lease accounting for lessees and lessors and eliminates the classification of leases into operating or capital leases. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Lessees will recognize a lease liability and an intangible right to use lease asset. Lessors will recognize a lease receivable and a deferred inflow of resources. The new guidance is effective for fiscal 2022.

The School is evaluating the effect of these new standards on its financial statements.

NOTE B - 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 in the current and previous two years.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE C - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Capital assets not being depreciated:				
Land improvements	\$ 126,616	\$ -	\$ -	\$ 126,616
Capital assets depreciated:				
Improvements other than buildings	345,003	-	-	345,003
Equipment under capital lease	246,325	-	-	246,325
Furniture, fixtures, & equipment	268,364	24,437	-	292,801
Building	3,048,517	-	-	3,048,517
Audio visual equipment	-	2,628	-	2,628
Total assets depreciated	<u>3,908,209</u>	<u>27,065</u>	<u>-</u>	<u>3,935,274</u>
Less accumulated depreciation:				
Improvements other than buildings	324,874	1,911	-	326,785
Equipment under capital lease	221,564	21,934	-	243,498
Furniture, fixtures, & equipment	218,298	15,777	-	234,075
Building	12,702	76,213	-	88,915
Audio visual equipment	-	526	-	526
Total accumulated depreciation	<u>777,438</u>	<u>116,361</u>	<u>-</u>	<u>893,799</u>
Total governmental activities capital assets, net	<u>\$ 3,257,387</u>	<u>\$ (89,296)</u>	<u>\$ -</u>	<u>\$ 3,168,091</u>

Depreciation was charged to the following functions/programs as follows:

Instruction	\$ 27,677
General support	<u>88,684</u>
Total depreciation expense	<u>\$ 116,361</u>

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE D - CONCENTRATIONS

Revenue sources

As stated in Note A-8, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Source	Amount
School Board of Brevard County:	
FEFP	\$ 1,506,102
Reading allocation	14,119
Safe schools	20,717
ESE guaranteed allocation	120,580
SAI	93,166
Instructional materials	23,840
Library media materials	1,526
Discretionary compression	36,263
Discretionary millage	144,188
Discretionary lottery	326
Class size reduction	379,405
Digital classroom	1,385
Funding compression allocation	8,862
Mental health allocation	8,601
Proration/additional allocation	(4,665)
Total passed through the School	
District of Brevard County	2,354,415
Federal passed through state	
National School Lunch Program	47,755
Title I	255,012
Title II	4,735
State revenue	
Public Education Capital Outlay	171,163
Other state revenues	76,287
Local revenue	
Student lunches	10,526
Other local revenues	87,754
Total general revenues	\$ 3,007,647

The administration fee paid to the District during the year ended June 30, 2020, totaled \$86,725.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE E - LONG-TERM LIABILITIES

During March 2019, the School entered into a term mortgage loan with Ameris Bank with a term of 30 years. The terms of the loan provide for monthly installments of principal and interest in the amount of \$19,458 including interest at 6.75% based upon a thirty-year amortization schedule. The interest rate can be adjusted every 5 years after the initial payment to reflect the maximum prime interest rate in the Wall Street Journal plus 1.25%. The mortgage is secured by the property.

On March 27, 2020, the Coronavirus Aid Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 outbreak. Under the CARES Act, the Paycheck Protection Program ("PPP") was established to provide assistance to small businesses with resources needed to maintain payroll and cover applicable overhead. On April 9, 2020, the School, through a financial institution, was approved for and received a loan in the amount of \$472,400 under this program. The proceeds of this loan were used by the School solely for the following transactions as set forth in Section 1102 of the CARES Act: (a) payments of "payroll costs", (b) cost related to the continuation of group healthcare benefits, during period of paid sick, medical or family leave and insurance premium, (c) employee salaries, commissions or similar compensation, (d) payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation), (e) payments on rent (including rent under a lease agreement), (f) utilities, and (g) interest on any other debt obligation that were incurred before the covered period. Management will seek forgiveness of the loan. As of the date of the financials, the forgiveness process is not complete. The unforgiven portion of the loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Amount Due In 1 Year
Mortgage loan	\$2,994,820	\$ -	\$31,797	\$2,963,023	\$ 35,121
PPP loan	-	392,860	-	392,860	194,902
Total long term debt	<u>\$2,994,820</u>	<u>\$ 392,860</u>	<u>\$31,797</u>	<u>\$3,355,883</u>	<u>\$ 230,023</u>

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE E - LONG-TERM LIABILITIES (continued)

Aggregate annual maturities for long-term liabilities over each of the next five years and thereafter are as follows:

<u>Year</u>	<u>Mortgage</u>	<u>PPP Loan</u>	<u>Total</u>
2021	\$ 35,121	\$ 194,902	\$ 230,023
2022	36,992	197,958	234,950
2023	39,568	-	39,568
2024	42,323	-	42,323
2025	45,270	-	45,270
2026-2030	278,256	-	278,256
2031-2035	389,591	-	389,591
2036-2040	545,472	-	545,472
2041-2045	763,724	-	763,724
2046-2049	786,706	-	786,706
Total	<u>\$ 2,963,023</u>	<u>\$ 392,860</u>	<u>\$ 3,355,883</u>

NOTE F - CONTINGENT LIABILITIES

The School is involved in litigation with its prior management company. The School is vigorously contesting the claims against the School and has countersued the management company. It is impossible to determine the outcome of the litigation; however, management does not believe it will be required to pay any damages and has not record a related liability as of June 30, 2020.

NOTE G – SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through October 8, 2020 which is the date the financial statements were available be issued.

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

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

REQUIRED SUPPLEMENTAL INFORMATION

ROYAL PALM CHARTER SCHOOL, INC.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND**

Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
State passed through local school district				
Florida Education Finance Program	\$ 2,301,664	\$ 2,392,768	\$ 2,392,768	\$ -
Other state revenues	49,507	37,934	37,934	-
Local revenue				
Other local revenue	70,097	87,754	87,754	-
Total revenues	<u>2,421,268</u>	<u>2,518,456</u>	<u>2,518,456</u>	<u>-</u>
Expenditures				
Current:				
Instruction	1,159,525	1,157,042	1,157,042	-
ESE expenses	212,900	242,916	242,916	-
Pre K	57,700	58,332	58,332	-
Guidance services	53,799	52,120	52,120	-
Staff training services	-	1,036	1,036	-
Instructional technology	9,152	742	742	-
General support	452,184	482,849	482,849	-
Fiscal services	12,550	12,100	12,100	-
Operation of plant	153,903	159,014	159,014	-
Maintenance of plant	6,366	2,613	2,613	-
Community services	9,487	39,683	39,683	-
Proprietary and fiduciary expenses	-	22,932	22,932	-
Debt service:				
Principal	37,309	-	-	-
Interest	32,333	-	-	-
Total expenditures	<u>2,197,208</u>	<u>2,231,379</u>	<u>2,231,379</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>224,060</u>	<u>287,077</u>	<u>287,077</u>	<u>-</u>
Other financing sources (uses):				
Transfer in	-	258,378	258,378	-
Total other financing sources (uses)	<u>-</u>	<u>258,378</u>	<u>258,378</u>	<u>-</u>
Net change in fund balance	224,060	545,455	545,455	-
Fund balance at July 1, 2019	152,026	152,026	152,026	-
Fund balance at June 30, 2020	<u>\$ 376,086</u>	<u>\$ 697,481</u>	<u>\$ 697,481</u>	<u>\$ -</u>

See note to required supplemental information.

ROYAL PALM CHARTER SCHOOL, INC.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - OTHER GOVERNMENTAL FUNDS

Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Federal passed through state				
National School Lunch Program	\$ 84,650	\$ 47,755	\$ 47,755	\$ -
Title I	225,000	255,012	255,012	-
Title II	-	4,735	4,735	-
IDEA funds	13,000	-	-	-
Local revenue				
Student lunches	8,005	10,526	10,526	-
Total revenues	330,655	318,028	318,028	-
Expenditures				
Current:				
Instruction	160,101	162,354	162,354	-
Parental involvement	2,500	5,921	5,921	-
Instructional technology	62,399	124,131	124,131	-
Food services	119,341	97,947	97,947	-
Total expenditures	344,341	390,353	390,353	-
Excess (deficiency) of revenues over (under) expenditures	(13,686)	(72,325)	(72,325)	-
Other financing sources (uses):				
Transfer in	-	72,325	72,325	-
Total other financing sources (uses)	-	72,325	72,325	-
Net change in fund balance	(13,686)	-	-	-
Fund balance at July 1, 2019	-	-	-	-
Fund balance at June 30, 2020	\$ (13,686)	\$ -	\$ -	\$ -

See note to required supplemental information.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2020

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

Annual budgets are adopted for the entire operations and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2020, have been amended according to Board procedures. Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and the special revenue fund for which a legally adopted budget exists.

SUPPLEMENTAL INFORMATION



Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Thomas F. Regan
Ernie R. Janvrin
Richard F. Hayes
Renee C. Varga

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

To the Board of Directors of
Royal Palm Charter School, Inc.
Palm Bay, Florida

We have audited, 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, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Royal Palm Charter School, Inc. (the "School") as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 8, 2020.

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) to determine 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Accountants

Florida Institute of
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 determination of financial statement amounts. 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida
October 8, 2020



Partners

W. Ed Moss, Jr.
Joe M. Krusick
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Bob P. Marchewka
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MANAGEMENT LETTER

To the Board of Directors of
Royal Palm Charter School, Inc.
Palm Bay, Florida

Report on the Financial Statements

We have audited the financial statements of Royal Palm Charter School, Inc. (the "School"), as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated October 8, 2020.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, disclosures in that report, which is dated October 8, 2020, 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. In that regard, there are no uncorrected findings to 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 *Royal Palm Charter School, Inc.* 6509.

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)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 us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and the school board of Brevard County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Krusick & Associates, LLC

Winter Park, Florida
October 8, 2020

MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2020, there were no management finding, recommendations or responses.