

ROYAL PALM CHARTER SCHOOL, INC.

Basic Financial Statements and Supplementary Information

For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the 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"), a component unit of the Brevard County District School Board, Florida, as of and for the year ended June 30, 2021, 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.

Auditor's 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 auditor's 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, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2021, and the results of its operation for the year then ended, and is not intended to be a complete presentation of the District and not a complete presentation of the not-for-profit.

Prior Period Adjustment

As discussed in Note H to the financial statements, beginning net position has been decreased by \$20,918 as a result of prekindergarten program exclusion, write-off of rent deposit, and accrual of salaries, not previously reported. Our opinion is not modified with respect to that matter.

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 information on pages 3-6 and 25-28 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 September 27, 2021 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.

McDonough CPA Solutions, PA

Rockledge, Florida
September 27, 2021

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, 2021. 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 \$669,193.
- Total ending unrestricted net position was \$990,439.
- The School had total expenses for the year of \$2,929,274 compared to revenues of \$3,205,607, excluding non-operating PPP forgiveness.
- The School educated 323 and 336 students in the years ending June 30, 2021 and 2020, respectively, serving grades K-8.
- During the current fiscal year, the School recognized forgiveness of the \$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.

Management's Discussion and Analysis (continued)

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

NET POSITION	2021	2020	Variance
ASSETS			
Current assets	\$ 1,097,762	\$ 735,021	\$ 362,741
Capital assets - net	3,109,315	3,168,091	(58,776)
Total assets	4,207,077	3,903,112	303,965
LIABILITIES			
Current liabilities	150,285	275,180	(124,895)
Noncurrent liabilities	2,885,527	3,125,860	(240,333)
Total liabilities	3,035,812	3,401,040	(365,228)
NET POSITION			
Net investment in capital assets	180,826	205,068	(24,242)
Unrestricted	990,439	297,004	693,435
Total net position	\$ 1,171,265	\$ 502,072	\$ 669,193

The increase in current assets was due to increases in accounts receivable for the elementary and secondary school emergency relief funds. The decrease in capital assets was due to current year depreciation. The decrease in noncurrent liabilities was a result of forgiveness of the paycheck protection program loan and revenue recognition of the forgiveness.

Management's Discussion and Analysis (continued)

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Revenues			
Program revenues			
Charges for services	\$ 496	\$ 10,526	\$ (10,030)
Operating grants and contributions	438,099	307,502	130,597
Capital grants and contributions	300,913	171,163	129,750
General revenues	2,466,099	2,518,456	(52,357)
PPP loan forgiveness	392,860	-	392,860
	<u>\$ 3,598,467</u>	<u>\$ 3,007,647</u>	<u>\$ 590,820</u>

Operating grants and contributions increased due to the education and secondary school emergency relief funds granted by the CARES act. The increase of capital grants and contributions was the result of sales surtaxes. The decrease in general revenues was due to a decrease in revenues from school programs. The increase in the PPP loan forgiveness was related to the recognition of revenues for the forgiveness of the loan.

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Expenses			
Basic instruction	\$ 1,474,459	\$ 1,426,323	\$ 48,136
Exceptional instruction	254,335	242,916	11,419
Guidance services	45,425	52,120	(6,695)
Parental involvement	3,488	5,921	(2,433)
Staff development	-	1,036	(1,036)
Instructional related technology	80,470	124,873	(44,403)
School administration	537,964	482,849	55,115
Fiscal services	-	12,100	(12,100)
Food services	119,245	97,947	21,298
Operation of plant	180,625	220,633	(40,008)
Maintenance of plant	-	2,613	(2,613)
Community service	34,060	62,615	(28,555)
Debt service	199,203	201,698	(2,495)
	<u>2,929,274</u>	<u>2,933,644</u>	<u>(4,370)</u>
Change in net position	669,193	74,003	595,190
Net position at July 1, 2020	502,072	428,069	74,003
Net position at June 30, 2021	<u>\$ 1,171,265</u>	<u>\$ 502,072</u>	<u>\$ 669,193</u>

The increase in basic instruction was due to increases in teacher salaries related to the state mandated raises. Instructional related technology decreased due to prior year computer purchases. School administration increased due to increases for a vice principal position. Operations of plant decreased due to a reduction in capital outlay spending in the current year. The decrease in community service was caused by reductions in school programs related to Covid restrictions.

Management's Discussion and Analysis (continued)

Governmental Activities. The governmental activities generated \$739,508 in program revenues, \$2,466,099 of general revenue, and forgiveness of the PPP loan of \$392,860 and incurred \$2,929,274 of program expenses. This resulted in a \$669,193 increase in net position.

The School's individual Funds

General Fund. The fund balance of the General Fund increased by \$313,876 from \$676,563 in 2020 to \$990,439 in 2021.

Capital Outlay Fund: The fund balance of the Capital Outlay Fund decreased by \$13,031 from \$13,301 in 2020 to \$0 in 2021.

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

Budgetary Highlights

General Fund: 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 2021 general fund budget to the actual 2021 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 listed in the table of contents.

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. 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 events 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, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 853,415
Due from other agencies	154,209
Prepaid expenses	8,504
Deposits	5,022
Due from charterholder	76,612
	<hr/>
Total current assets	1,097,762

CAPITAL ASSETS

Capital assets not being depreciated:	
Land	126,616
Capital assets, net of accumulated depreciation:	
Improvements other than buildings	16,307
Furniture, fixtures and equipment	79,331
Building	2,883,389
Audio visual materials	3,672
	<hr/>
Total capital assets, net	3,109,315
	<hr/>
Total assets	4,207,077

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	25,939
Accrued payroll liabilities	81,384

NONCURRENT LIABILITIES

Long-term debt	
Due within one year	42,962
Due within more than one year	2,885,527
	<hr/>
Total liabilities	3,035,812

NET POSITION

Net investment in capital assets	180,826
Unrestricted	990,439
	<hr/>
Total net position	\$ 1,171,265

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

ROYAL PALM CHARTER SCHOOL, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:					
Basic instruction	\$ 1,474,459	\$ -	\$ 216,381	\$ -	\$ (1,258,078)
Exceptional instruction	254,335	-	-	-	(254,335)
Guidance services	45,425	-	-	-	(45,425)
Parental involvement	3,488	-	3,488	-	-
Instructional related technology	80,470	-	79,434	36,839	35,803
School administration	537,964	-	40	-	(537,924)
Food services	119,245	496	131,002	-	12,253
Operation of plant	180,625	-	7,754	95,488	(77,383)
Community service	34,060	-	-	-	(34,060)
Debt service	199,203	-	-	168,586	(30,617)
Total governmental activities	<u>\$ 2,929,274</u>	<u>\$ 496</u>	<u>\$ 438,099</u>	<u>\$ 300,913</u>	<u>\$ (2,189,766)</u>
General revenues:					
Florida education finance program					2,384,317
Other state revenue					66,645
Other revenues					<u>15,137</u>
Total general revenues					<u>2,466,099</u>
PPP loan forgiveness					<u>392,860</u>
Change in net position					<u>669,193</u>
Net position at July 1, 2020, beginning					522,990
Prior period adjustment					<u>(20,918)</u>
Net position at July 1, 2020, restated					<u>502,072</u>
Net position at June 30, 2021					<u>\$ 1,171,265</u>

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

ROYAL PALM CHARTER SCHOOL, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 853,415	\$ -	\$ -	\$ -	\$ 853,415
Due from other agencies	35,952	13,009	-	105,248	154,209
Deposits	5,022	-	-	-	5,022
Prepaid expenses	8,504	-	-	-	8,504
Due from charterholder	76,612	-	-	-	76,612
Due from other funds	118,257	-	-	-	118,257
Total assets	<u>\$ 1,097,762</u>	<u>\$ 13,009</u>	<u>\$ -</u>	<u>\$ 105,248</u>	<u>\$ 1,216,019</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 25,939	\$ -	\$ -	\$ -	\$ 25,939
Accrued payroll liabilities	81,384	-	-	-	81,384
Due to other funds	-	13,009	-	105,248	118,257
Total liabilities	<u>107,323</u>	<u>13,009</u>	<u>-</u>	<u>105,248</u>	<u>225,580</u>
FUND BALANCES					
Nonspendable					
Prepays	8,504	-	-	-	8,504
Deposits	5,022	-	-	-	5,022
Unassigned	976,913	-	-	-	976,913
Total fund balances	<u>990,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>990,439</u>
Total liabilities and fund balances	<u>\$ 1,097,762</u>	<u>\$ 13,009</u>	<u>\$ -</u>	<u>\$ 105,248</u>	<u>\$ 1,216,019</u>

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

ROYAL PALM CHARTER SCHOOL, INC.

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

Year Ended June 30, 2021

Total Fund Balance - Governmental Funds	\$	990,439
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Capital assets	4,102,852	
Accumulated depreciation	<u>(993,537)</u>	3,109,315

Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds.

(2,928,489)

Net Position of Governmental Activities

\$ 1,171,265

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

ROYAL PALM CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Federal passed through state and local	\$ -	\$ -	\$ -	\$ 431,073	\$ 431,073
State passed through local school district	2,489,030	168,586	-	6,294	2,663,910
Other revenues	110,128	-	-	496	110,624
Total revenues	2,599,158	168,586	-	437,863	3,205,607
Expenditures					
Current:					
Basic instruction	1,245,489	-	-	216,381	1,461,870
Exceptional instruction	254,335	-	-	-	254,335
Guidance services	45,425	-	-	-	45,425
Parental involvement	-	-	-	3,488	3,488
Instructional related technology	1,036	-	-	79,434	80,470
School administration	450,775	-	-	40	450,815
Food services	-	-	-	119,245	119,245
Operation of plant	157,871	15,000	-	7,754	180,625
Community service	34,060	-	-	-	34,060
Capital outlay	4,123	-	-	36,839	40,962
Debt service:					
Principal and interest	-	-	233,737	-	233,737
	2,193,114	15,000	233,737	463,181	2,905,032
Excess (deficiency) of revenues over (under) expenditures	406,044	153,586	(233,737)	(25,318)	300,575
Other financing sources and (uses)					
Transfers in	-	-	233,737	25,318	259,055
Transfers out	(92,168)	(166,887)	-	-	(259,055)
Total other financing sources and (uses)	(92,168)	(166,887)	233,737	25,318	-
Net change in fund balance	313,876	(13,301)	-	-	300,575
Fund balances at July 1, 2020, beginning	697,481	13,301	-	-	710,782
Prior period adjustment	(20,918)	-	-	-	(20,918)
Fund balances at July 1, 2020, restated	676,563	13,301	-	-	689,864
Fund balances at June 30, 2021	\$ 990,439	\$ -	\$ -	\$ -	\$ 990,439

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

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, 2021

Net Change in Fund Balances - Governmental Funds	\$	300,575
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets increased net position.

Capital outlay	40,962	
Provision for depreciation	<u>(99,738)</u>	(58,776)

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.

Forgiveness of long-term debt	392,860	
Principal payment on long-term debt	<u>34,534</u>	427,394

Change in Net Position - Governmental Activities	<u>\$</u>	<u>669,193</u>
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The accompanying notes are an integral part of this financial statement.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

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 financial statements are a presentation of the charter school and not a complete presentation of the not-for-profit.

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.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

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.

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.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

4. Fund financial statements (continued)

Debt Service Fund: The Debt Service Fund is used to 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 – e.g. 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 non-major funds.

5. 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.

6. 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, 2021, there was \$652,447 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.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

7. 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 prepaids do not represent available expendable resources.

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>Asset Class</u>	<u>Estimated Useful Lives</u>
Improvements other than buildings	5-15
Furniture, fixtures and equipment	5-10
Building	40
Audio visual materials	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 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.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

10. Transfers

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

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 balance classification

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.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

12. Fund balance classification (continued)

Assigned (continued): 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.

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.

13. 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.

14. New GASB pronouncements

The GASB issued Statement No. 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 was effective for this fiscal year 2021. The School has no fiduciary activities.

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 year 2022 and has not been implemented. The School is evaluating the effect of this new standard on its financial statements.

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

15. Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all of its tax positions are more likely than not to be sustained upon examination. The School files Form 990 in the U.S. federal jurisdiction.

16. Budget

An operating budget is adopted and maintained by the governing board of the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic 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

Year Ended June 30, 2021

NOTE C – CAPITAL ASSETS

Changes in capital assets were as follows:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2021</u>
Capital assets not depreciated:				
Land	\$ 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 and equipment	292,801	38,720	-	331,521
Building	3,048,517	-	-	3,048,517
Audio visual materials	<u>2,628</u>	<u>2,242</u>	-	<u>4,870</u>
Total capital assets depreciated	<u>4,061,890</u>	<u>40,962</u>	-	<u>4,102,852</u>
Less accumulated depreciation:				
Improvements other than buildings	326,785	1,911	-	328,696
Equipment under capital lease	243,498	2,827	-	246,325
Furniture, fixtures and equipment	234,075	18,115	-	252,190
Building	88,915	76,213	-	165,128
Audio visual materials	<u>526</u>	<u>672</u>	-	<u>1,198</u>
Total accumulated depreciation	<u>893,799</u>	<u>99,738</u>	-	<u>993,537</u>
Total capital assets, net	<u>\$ 3,168,091</u>	<u>\$ (58,776)</u>	<u>\$ -</u>	<u>\$ 3,109,315</u>

Depreciation expense for the year ended June 30, 2021 was charged to functions of the School as follows:

Basic instruction	\$ 12,620
School administration	<u>87,144</u>
	<u>\$ 99,764</u>

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

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.

Revenue sources passed through the School Board of Brevard County, Florida	
Base funding	\$ 1,453,864
Class size reduction	412,590
Discretionary millage	154,722
Emergency order funding adjustment	149,961
Supplemental academic instruction	88,778
ESE guaranteed allocation	119,684
Instructional materials allocation	23,395
Reading instruction	13,719
Mental health allocation	11,323
Safe schools	20,442
Library media materials	1,556
Funding compression allocation	3,831
Discretionary tax compression	32,702
Proration	(6,831)
Digital classroom	543
Less administration fee	<u>(95,962)</u>
	2,384,317
Florida teacher classroom supply assistance	6,227
Sales surtax	95,488
Title I	223,952
CSP grant	37,240
Teacher salary increase allocation	55,411
Security grant	5,007
ESSER	76,119
IDEA	6,294
Capital outlay	<u>168,586</u>
Total Revenue sources passed through the School Board of Brevard County, Florida	3,058,641
National school lunch program	131,002
Miscellaneous state sources	828
Before/after care	9,553
Student lunches	496
Other revenue	<u>5,087</u>
Total revenue	<u><u>\$ 3,205,607</u></u>

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE E – LONG TERM LIABILITIES

During March 2019, the School entered into a 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 educational facility and land.

On April 9, 2020, the School received loan proceeds in the amount of approximately \$392,860 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are guaranteed forgivable by the Small Business Administration (SBA) after eight or twenty-four weeks of utilization as long as the School uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight or twenty-four week period.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. At this time, the School has taken the position that the proceeds received have been used for eligible purposes consistent with described conditions and believes it is probable that the SBA will grant the forgiveness in full in accordance with the guarantee.

The School recognized forgiveness of the paycheck protection program loan in the amount of \$392,860 for the year ended June 30, 2021.

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

Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Amount Due in 1 Year
\$ 2,963,023	\$ -	\$ 34,534	\$ 2,928,489	\$ 42,962
392,860	-	392,860	-	-
<u>\$ 3,355,883</u>	<u>\$ -</u>	<u>\$ 427,394</u>	<u>\$ 2,928,489</u>	<u>\$ 42,962</u>

ROYAL PALM CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

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:

2022	\$	42,962
2023		45,861
2024		48,956
2025		52,261
2026		55,788
Thereafter		<u>2,682,661</u>
	\$	<u>2,928,489</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 recorded a related liability as of June 30, 2021.

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 September 27, 2021 which is the date the financial statements were available to be issued.

- As of August 2021, the School was forgiven the amount of \$392,860 by the Small Business Administration for the paycheck protection program (PPP) loan.
- Due to the effects of the Covid 19 Pandemic, the School is subjected to the Brevard County Health Department's health requirements. In the event of an outbreak within the School, campus classes may be cancelled and students will be required to take classes remotely. The virus could have a negative effect on the School's financial position, result of operations and/or cash flows, the specific outcome is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE H – ADJUSTMENT TO BEGINNING FUND BALANCE

An adjustment to the beginning fund balance for the Governmental Funds – General Fund was made to reflect the exclusion of the prekindergarten program from the School's financial statements, the write-off of rent deposit, and accrual of salaries, not recorded previously. The beginning general fund balance of \$697,481 as previously reported, has been decreased by \$20,918, to a restated beginning general fund balance of \$676,563 on the statement of revenues, expenditures, and changes in fund balance. In addition, the beginning net position balance of \$522,990 as previously reported, has been decreased by \$20,918 to a restated beginning net position of \$502,072 on the statement of activities.

REQUIRED SUPPLEMENTARY INFORMATION

ROYAL PALM CHARTER SCHOOL, INC.

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

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
State passed through local school district	\$ 2,359,911	\$ 2,489,030	\$ 2,489,030	\$ -
Other revenues	5,500	110,128	110,128	-
Total revenues	<u>2,365,411</u>	<u>2,599,158</u>	<u>2,599,158</u>	<u>-</u>
Expenditures				-
Current:				-
Basic instruction	1,382,849	1,245,489	1,245,489	-
Exceptional instruction	135,141	254,335	254,335	-
Guidance services	50,629	45,425	45,425	-
Staff development	1,200	-	-	-
Instructional related technology	500	1,036	1,036	-
School administration	446,628	450,775	450,775	-
Fiscal services	12,100	-	-	-
Operation of plant	143,773	157,871	157,871	-
Community service	-	34,060	34,060	-
Capital outlay	-	4,123	4,123	-
	<u>2,172,820</u>	<u>2,193,114</u>	<u>2,193,114</u>	<u>-</u>
Excess of revenues over (under) expenditures	192,591	406,044	406,044	-
Other financing uses				-
Transfers out	-	(92,168)	(92,168)	-
Total other financing uses	-	(92,168)	(92,168)	-
Net change in fund balance	<u>192,591</u>	<u>313,876</u>	<u>313,876</u>	<u>-</u>
Fund balances at July 1, 2020, beginning	697,481	697,481	697,481	-
Prior period adjustment	-	(20,918)	(20,918)	-
Fund balances at July 1, 2020, restated	<u>697,481</u>	<u>676,563</u>	<u>676,563</u>	<u>-</u>
Fund balances at June 30, 2021	<u>\$ 890,072</u>	<u>\$ 990,439</u>	<u>\$ 990,439</u>	<u>\$ -</u>

See note to required supplementary information.

ROYAL PALM CHARTER SHOOOL, INC.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – CAPITAL OUTLAY FUND**

Year the Ended June 30, 2021

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charter school capital outlay	<u>\$ 181,297</u>	<u>\$ 168,586</u>	<u>\$ 168,586</u>	<u>\$ -</u>
Expenditures				
Operation of plant	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Excess of revenues over expenditures	<u>181,297</u>	<u>153,586</u>	<u>153,586</u>	<u>-</u>
Other financing uses				
Transfers out	<u>(194,598)</u>	<u>(166,887)</u>	<u>(166,887)</u>	<u>-</u>
Total other financing uses	<u>(194,598)</u>	<u>(166,887)</u>	<u>(166,887)</u>	<u>-</u>
Net change in fund balance	<u>(13,301)</u>	<u>(13,301)</u>	<u>(13,301)</u>	<u>-</u>
Fund balances at July 1, 2020	<u>13,301</u>	<u>13,301</u>	<u>13,301</u>	<u>-</u>
Fund balances at June 30, 2021	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See note to required supplementary information.

ROYAL PALM CHARTER SHOOOL, INC.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – DEBT SERVICE FUND**

Year the Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>with Final Budget</u>
Revenues				
State passed through local school district	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Debt service:				
Principal and interest	<u>233,507</u>	<u>233,737</u>	<u>233,737</u>	<u>-</u>
Excess of revenues over expenditures	<u>(233,507)</u>	<u>(233,737)</u>	<u>(233,737)</u>	<u>-</u>
Other financing uses				
Transfers in	<u>233,507</u>	<u>233,737</u>	<u>233,737</u>	<u>-</u>
Total other financing uses	<u>233,507</u>	<u>233,737</u>	<u>233,737</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at July 1, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at June 30, 2021	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year the Ended June 30, 2021

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, 2021, 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, the capital outlay fund and debt service fund for which a legally adopted budget exists.

COMPLIANCE INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON A GOVERNMENT 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 the aggregate remaining fund information of Royal Palm Charter School, Inc. (the "School") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 27, 2021.

Internal Control over Financial Reporting

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

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

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

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 financial statement. 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.

McDonough CPA Solutions, PA

September 27, 2021
Rockledge, Florida

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, 2021, and have issued our report thereon dated September 27, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 27, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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 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 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.

A handwritten signature in dark ink that reads "McDonald CPA Solutions, PA". The signature is written in a cursive, flowing style.

September 27, 2021
Rockledge, Florida

MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2021 and June 30, 2020, there were no management findings, recommendations or responses.