

**POTENTIALS CHARTER  
SCHOOL**

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

**Financial Statements  
and Supplementary  
Information**

**June 30, 2019**

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Potentials Charter School, which is a component unit of The Arc of Palm Beach County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Potentials Charter School, which is a component unit of The Arc of Palm Beach County, Inc., as of June 30, 2019 and 2018, and the respective changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2019, on our consideration of Potential Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Potentials Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Potential Charter School's internal control over financial reporting and compliance.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
September 12, 2019

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

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash	\$ 306,092	\$ 352,706
Accounts receivable, net	8,393	5,389
Pledges receivable	55,600	55,600
Due from the Arc (a related party)	79,477	-
Property and equipment, net	90,232	88,199
Total assets	\$ 539,794	\$ 501,894
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 30,034	\$ 23,672
Due to the Arc (a related party)	-	8,981
Total liabilities	30,034	32,653
<b>NET ASSETS</b>		
Without donor restrictions	389,595	351,754
With donor restrictions	120,165	117,487
Total net assets	509,760	469,241
Total liabilities and net assets	\$ 539,794	\$ 501,894

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

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

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Years Ended June 30, 2019 and 2018**

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>SUPPORT AND REVENUES</b>						
Fees and grants from government agencies	\$ 892,089	\$ -	\$ 892,089	\$ 941,679	\$ -	\$ 941,679
Gifts, grants, and bequests	31,696	82,450	114,146	42,510	97,450	139,960
Arc subsidy revenue (including in-kind rent)	78,837	-	78,837	77,198	-	77,198
Net assets released from restrictions	79,772	(79,772)	-	82,163	(82,163)	-
 Total support and revenues	 <u>1,082,394</u>	 <u>2,678</u>	 <u>1,085,072</u>	 <u>1,143,550</u>	 <u>15,287</u>	 <u>1,158,837</u>
<b>EXPENSES</b>						
Instruction	605,691	-	605,691	552,662	-	552,662
School administration	302,740	-	302,740	287,237	-	287,237
Operation of plant	136,122	-	136,122	137,770	-	137,770
 Total expenses	 <u>1,044,553</u>	 <u>-</u>	 <u>1,044,553</u>	 <u>977,669</u>	 <u>-</u>	 <u>977,669</u>
 <b>CHANGE IN NET ASSETS</b>	 37,841	 2,678	 40,519	 165,881	 15,287	 181,168
 <b>NET ASSETS, BEGINNING OF PERIOD</b>	 <u>351,754</u>	 <u>117,487</u>	 <u>469,241</u>	 <u>185,873</u>	 <u>102,200</u>	 <u>288,073</u>
 <b>NET ASSETS, END OF PERIOD</b>	 <u>\$ 389,595</u>	 <u>\$ 120,165</u>	 <u>\$ 509,760</u>	 <u>\$ 351,754</u>	 <u>\$ 117,487</u>	 <u>\$ 469,241</u>

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

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

**STATEMENTS OF FUNCTIONAL EXPENSES**

**Years Ended June 30, 2019 and 2018**

	2019				2018			
	Instruction	School Administration	Operation of Plant	Total	Instruction	School Administration	Operation of Plant	Total
Salaries	\$ 439,295	\$ 88,886	\$ -	\$ 528,181	\$ 371,423	\$ 111,036	\$ -	\$ 482,459
Employee benefits	66,974	12,124	-	79,098	64,653	16,144	-	80,797
Payroll taxes	32,468	6,712	-	39,180	27,612	8,439	-	36,051
Total salaries and related expenses	538,737	107,722	-	646,459	463,688	135,619	-	599,307
Management allocation	-	156,955	-	156,955	-	130,545	-	130,545
In-kind rent	-	-	78,837	78,837	-	-	77,198	77,198
Professional services	27,228	10,863	-	38,091	47,998	11,040	-	59,038
Insurance	-	-	32,322	32,322	-	-	29,951	29,951
Transportation	21,218	431	-	21,649	24,500	189	-	24,689
Miscellaneous	3,018	11,542	358	14,918	-	1,372	-	1,372
Supplies	12,894	612	967	14,473	7,607	483	788	8,878
Bad debt expense	-	13,765	-	13,765	-	-	-	-
Telephone and postage	-	430	4,253	4,683	-	1,497	2,831	4,328
Conferences and training	2,596	-	-	2,596	5,997	-	-	5,997
Repairs and maintenance	-	420	1,884	2,304	-	-	2,877	2,877
Equipment rental and purchase	-	-	-	-	2,872	5,394	4,324	12,590
Dues and subscriptions	-	-	-	-	-	1,098	-	1,098
Loss on disposal	-	-	-	-	-	-	2,147	2,147
Total expenses before depreciation	605,691	302,740	118,621	1,027,052	552,662	287,237	120,116	960,015
Depreciation	-	-	17,501	17,501	-	-	17,654	17,654
Total expenses	<u>\$ 605,691</u>	<u>\$ 302,740</u>	<u>\$ 136,122</u>	<u>\$ 1,044,553</u>	<u>\$ 552,662</u>	<u>\$ 287,237</u>	<u>\$ 137,770</u>	<u>\$ 977,669</u>

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

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

**STATEMENTS OF CASH FLOWS**

**Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATIONS</b>		
Change in net assets	\$ 40,519	\$ 181,168
Adjustments to reconcile change in net assets to cash provided by operations:		
Bad debt expense	13,765	-
Depreciation	17,501	17,654
Loss on disposal of asset	-	2,147
Increase in accounts receivable	(16,769)	(3,693)
Increase (decrease) in accounts payable and accrued expenses	6,362	(10,626)
Net cash provided by operations	61,378	186,650
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(19,534)	(19,897)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts (payments) on advances from the Arc, net	(88,458)	2,059
Net change in cash	(46,614)	168,812
Cash, beginning of period	352,706	183,894
Cash, end of period	\$ 306,092	\$ 352,706

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



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE A – SCHOOL AND ACTIVITIES**

Potentials Charter School, a component of The Arc of Palm Beach County, Inc., (the “School”) was established in May 1998 pursuant to a charter school contract (the “Charter”) between the School Board of Palm Beach County, Florida (the “School Board”) and The Arc of Palm Beach County, Inc. (the “Arc”). The School operates as a separate component of the Arc. Under the Charter, the School provides education to developmentally disabled children from preschool through the eighth grade in Palm Beach County, Florida. The School combines an intensive classroom learning experience for its students with therapeutic services and technical support. The School’s facilities, located in central Palm Beach County, can serve a maximum of thirty-two students.

The Charter, which is effective through June 30, 2031, requires the School Board to provide the School’s primary source of funding based upon the number of full-time equivalent students served by the School.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the School is presented to assist in understanding the School’s financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been applied consistently in the preparation of these financial statements.

1. Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The School reports information regarding its financial position and activities according to two classes of net assets as follows:

*Net Assets Without Donor Restrictions*

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion.

*Net Assets With Donor Restrictions*

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

1. Basis of presentation (continued)

The School reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

See Note E for more information on the composition of net assets with donor restrictions.

2. Contributed services and facilities

The School does not recognize any support, revenue or expense from services contributed by individual volunteers since no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of time in the School's program services and fund raising campaigns.

The School's primary facility is owned by the Arc. The facility is rented to the School without charge. The estimated fair rental value of the building and land is reported as support and expense in the period the premises are used (see Note D).

3. Accounts and pledges receivable

Accounts and pledges receivable at June 30, 2019 and 2018 are receivable in less than one year and are stated at the amount of the uncollected balances, adjusted by an allowance for doubtful accounts, if necessary. Management's periodic evaluation of the adequacy of the allowance is based on past experience and adverse situations that may affect the funding service's ability to pay. The allowance for doubtful accounts at June 30, 2019 and 2018 was \$14,128 and \$500, respectively.

4. Property and equipment and depreciation

Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service. Depreciation of property and equipment, consisting principally of furniture, fixtures, and equipment, is calculated on the straight-line method over the estimated useful lives ranging from 3 to 30 years.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

5. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Certain risk matters

The School operates as a component unit of the Arc and is exposed to the risks that its activities will no longer be funded by certain governmental agencies or supported by the Arc. Management believes that any decline in funding would result in a corresponding reduction in the scope of educational services it could provide to developmentally disabled children.

The School maintains cash deposits at several financial institutions located in Palm Beach County, Florida. Deposits located at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and during the year balances may fluctuate above and below this amount. At June 30, 2019 and 2018, the School held approximately \$50,000 and \$90,000, respectively, in excess of FDIC limits. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

7. Income taxes

The Arc is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Management has concluded that as of June 30, 2019 there are no uncertain tax positions taken or expected to be taken by the School that would require recognition of a liability (or asset) or disclosure in the financial statements. The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

8. New accounting pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, “Presentation of Financial Statements of Not-for-Profit Entities” (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The new guidance was effective beginning in 2018 and the School changed its presentation of net assets classes, included a statement of functional expenses, and expanded the footnote disclosures in these financial statements as required by ASU 2016-14. The School opted not to disclose liquidity and availability information for 2018 as permitted under the ASU in the year of adoption.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when contract performance obligations are met. The standard is effective for fiscal years beginning after December 15, 2018. The School is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today’s capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The School is evaluating the potential effects ASU 2016-02 will have on its financial statements.

9. Subsequent events

Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were available to be issued on September 12, 2019.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE C – PROPERTY AND EQUIPMENT**

Major classifications of property and equipment at June 30, 2019 and 2018 are summarized below:

	<u>2019</u>	<u>2018</u>
Furniture, fixtures and equipment	\$ 427,984	\$ 408,450
Accumulated depreciation	<u>(337,752)</u>	<u>(320,251)</u>
Property and equipment, net	<u><u>\$ 90,232</u></u>	<u><u>\$ 88,199</u></u>

Depreciation expense for the years ended June 30, 2019 and 2018 totaled approximately, \$17,500 and \$17,700, respectively.

**NOTE D – RELATED PARTY TRANSACTIONS**

1. Leasing arrangements

The School occupies a portion of a building owned by the Arc under an informal leasing arrangement. Total in-kind building rent charged to the School for the years ended June 30, 2019 and 2018 approximated \$63,000 and \$61,000, respectively. In addition, in-kind rent totaled approximately \$16,000 for donated land in both years. The building is on land owned by the School Board and leased to the School pursuant to a long-term lease with the School Board.

2. Allocation of expenses

The Arc allocates certain occupancy and other expenses, including certain payroll and related expenses, utilities, repairs and maintenance, and insurance to the School. For the years ended June 30, 2019 and 2018, allocations to the School approximated \$157,000 and \$130,000, respectively.

The Arc also advances funds, as needed, to the School to subsidize its operations. The School received no cash subsidies from the Arc during 2019 and 2018. As of June 30, 2019, the School has a due from the Arc balance of approximately \$80,000 as shown in the accompanying statements of financial position. As of June 30, 2018, the School has a due to the Arc balance of approximately \$9,000 as shown in the accompanying statements of financial position. The net amounts due to the Arc have no stipulated repayment terms and are non-interest bearing.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE E – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of June 30, 2019 and 2018 relate to funds pledged for operation of the School and funds received for specific purposes. These restrictions are considered to expire when pledge payments are received and the funds have been expended for the specified purpose. Net assets with donor restrictions as of June 30, 2019 and 2018 are summarized as follows:

	2019	2018
Town of Palm Beach United Way	\$ 55,600	\$ 55,600
Frenchman's Creek	26,852	23,507
Ballen Isles	22,713	23,380
Lattner	15,000	15,000
	\$ 120,165	\$ 117,487

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

	2019	2018
Town of Palm Beach United Way	\$ 55,600	\$ 55,600
Ballen Isles	12,517	11,105
Frenchman's Creek	11,655	15,458
	\$ 79,772	\$ 82,163

**NOTE F – FUNCTIONAL EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, payroll taxes, professional services, and insurance, which are allocated on the basis of estimates of time and effort.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE G – LIQUIDITY AND AVAILABILITY OF RESOURCES**

The School's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 306,092
Accounts and pledges receivable	63,993
Due from the Arc	<u>79,477</u>
 Total financial assets available within one year	 449,562
 Accounts payable	 (30,034)
 Amounts unavailable to management:	
Restricted funds	<u>(120,165)</u>
 Total financial assets available within one year after restrictions	 <u>\$ 299,363</u>

As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**SUPPLEMENTAL INFORMATION**





**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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Potentials Charter School, which is a component unit of The Arc of Palm Beach County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, the related notes to the financial statements, and have issued our report thereon dated September 12, 2019.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Potentials Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 Potentials Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Potentials Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
September 12, 2019



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**MANAGEMENT LETTER**

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

**Report on the Financial Statements**

We have audited the financial statements of Potentials Charter School, which is a component unit of The Arc of Palm Beach County, Inc., as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 12, 2019.

**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 September 12, 2019, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no significant findings and recommendations made in the preceding annual financial audit report.

**Official Title**

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed. The official title and the school code assigned by the Florida Department of Education of the entity is *Potentials Charter School* (502531), which is a component unit of The Arc of Palm Beach County, Inc.

**Financial Condition and Management**

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

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

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

**Transparency**

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

**Additional Matters**

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

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, Potentials Charter School's management, the Board of Trustees, applicable management, and The Arc of Palm Beach County, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
September 12, 2019

## **CURRENT YEAR MANAGEMENT RECOMMENDATIONS**

For the year ended June 30, 2019, there are no management recommendations.