

THE HEIGHTS CHARTER SCHOOL, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025



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**THE HEIGHTS CHARTER SCHOOL, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Heights Charter School, Inc.
Fort Myers, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of The Heights Charter School, Inc. (the School), a component unit of the School District of Lee County, Florida, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the School as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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 GAAS, 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 August 27, 2025, 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.



CliftonLarsonAllen LLP

Fort Myers, Florida
August 27, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**THE HEIGHTS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Our discussion and analysis of The Heights Charter School, Inc.'s (the School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the School's financial statements, which begin on page 10.

Financial Highlights

- At June 30, 2025, the School's net position was \$197,954, representing an increase of \$81,358 from June 30, 2024.
- At June 30, 2025, the School's fund balance was \$187,228, representing an increase of \$96,106 from June 30, 2024.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information of all of the School's assets and liabilities, with the residual amount being reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent (FTE) funding. The School does not have any business-type activities. The governmental activities of the School include instruction and support services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has one fund category: governmental funds.

**THE HEIGHTS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

Overview of Financial Statements (Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental fund's balance sheet and statement of revenues, expenditures, and changes in fund balance provide detailed information about the School's significant fund. The school reports activity in one fund, the general fund, which is reported as a major fund.

The School adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided on pages 16 through 24.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position.

Key components of the School's net position as of June 30 are reflected in the following table:

	2025	2024
ASSETS		
Current and Other Assets	\$ 277,683	\$ 183,072
Capital Assets, Net	246,620	373,364
Total Assets	524,303	556,436
LIABILITIES		
Current Liabilities	196,649	203,494
Noncurrent Liabilities	129,700	236,346
Total Liabilities	326,349	439,840
NET POSITION		
Net Investment in Capital Assets	14,975	33,467
Unrestricted	182,979	83,129
Total Net Position	\$ 197,954	\$ 116,596

**THE HEIGHTS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

Overview of Financial Statements (Continued)

Government-Wide Financial Analysis (Continued)

The School's net position reflects its investment in capital assets (e.g., furniture and equipment and computer equipment), less any related liabilities used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. The School has liabilities related to two leases and no restricted net position.

Key elements of the changes in net position for the years ended June 30 are reflected in the following table:

	<u>2025</u>	<u>2024</u>
REVENUES		
General Revenues	\$ 2,183,265	\$ 1,984,953
Program Revenues	<u>460,339</u>	<u>387,438</u>
Total Revenues	2,643,604	2,372,391
 FUNCTIONS/PROGRAM EXPENSES		
Instruction	1,629,069	1,509,289
Instructional Support Services	858,443	844,693
Noninstructional Support Services	<u>74,734</u>	<u>82,994</u>
Total Functions/Program Expenses	<u>2,562,246</u>	<u>2,436,976</u>
 CHANGE IN NET POSITION	81,358	(64,585)
Net Position - Beginning of Year	<u>116,596</u>	<u>181,181</u>
 NET POSITION - END OF YEAR	<u><u>\$ 197,954</u></u>	<u><u>\$ 116,596</u></u>

General Fund Expenditures

In the table below, we have presented the cost of the largest functions/programs as a percentage of total expenditures for the years ended June 30:

<u>Function/Program</u>	<u>2025</u>		<u>2024</u>	
	<u>Expenditures</u>	<u>Percent</u>	<u>Expenditures</u>	<u>Percent</u>
Governmental Expenditures:				
Instructional Expenditures	\$ 1,524,571	59.8%	\$ 1,400,281	57.5%
Administrative Services	364,241	14.3	387,857	15.9
Plant Operations and Maintenance	68,570	2.7	65,217	2.7
Debt Service	115,080	4.5	127,201	5.2
Capital Outlay	-	0.0	18,198	0.7
Other Programs	<u>475,036</u>	<u>18.6</u>	<u>438,347</u>	<u>18.0</u>
Total Governmental Expenditures	<u><u>\$ 2,547,498</u></u>	<u><u>100.0%</u></u>	<u><u>\$ 2,437,101</u></u>	<u><u>100.0%</u></u>

**THE HEIGHTS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

General Budgeting Highlights

The budget for the general fund for the year ended June 30, 2025, was developed based on the School's anticipated revenues and expenditures, based on the expected student population and full-time-equivalent funding provided by the Florida Education Finance Program.

Revenues were over budget by approximately \$101,474 due primarily to federal, state, and local support being higher than anticipated. Expenses were over budget by \$74,965 due primarily to receiving unexpected state funding requiring unplanned expenditures in the areas of supplemental pay for staff, textbooks and general supplies.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2025, the School had \$123,475 invested in furniture and equipment for its governmental activities, net of accumulated depreciation and amortization of \$89,739, which results in a net book value of \$33,736. Leased assets are included in Capital Assets and the associated Accumulated Depreciation / Amortization. The net book value as of June 30, 2025 for leased assets is \$212,884. More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

Debt Administration

The School has no debt as of June 30, 2025. Total Liabilities as of June 30, 2025 are \$326,349, which includes \$231,645 in outstanding lease liabilities discounted at 4.85%. The balance reflects accrued compensation and current accounts payable.

Economic Factors and Next Year's Budget

The state allocation for its Florida Education Finance Program funding for the year ended June 30, 2025, increased approximately 8% due to increased enrollment. The School's budgeted revenues and expenditures are based on this increase and the anticipated increase in enrollment.

Requests for Information

This financial report is designed to provide a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

The Heights Charter School, Inc.
Attention of Debra Mathinos
15570 Hagie Drive
Fort Myers, Florida 33908

BASIC FINANCIAL STATEMENTS

**THE HEIGHTS CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION
JUNE 30, 2025**

	Governmental Activities
ASSETS	
Cash	\$ 232,303
Grants Receivable	11,606
Accounts Receivable	33,774
Capital Assets, Net	246,620
Total Assets	\$ 524,303
LIABILITIES AND NET POSITION	
LIABILITIES	
Accrued Payroll	\$ 90,455
Compensated Absences - Current	4,249
Lease Liability - Current	101,945
Lease Liability - Noncurrent	129,700
Total Liabilities	326,349
NET POSITION	
Net Investment in Capital Assets	14,975
Unrestricted	182,979
Total Net Position	197,954
Total Liabilities and Net Position	\$ 524,303

See accompanying Notes to Financial Statements.

**THE HEIGHTS CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

		Program Revenues			(Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Instruction	\$ 1,629,069	\$ -	\$ 189,464	\$ -	\$ (1,439,605)
Exceptional Education	79,299	-	-	-	(79,299)
Instruction-Related Technology	126,886	-	-	-	(126,886)
School Board	35,022	-	-	-	(35,022)
School Administration	365,711	67,548	-	-	(298,163)
Food Services	251,525	-	203,327	-	(48,198)
Operation of Plant	74,734	-	-	-	(74,734)
Total Governmental Activities	<u>\$ 2,562,246</u>	<u>\$ 67,548</u>	<u>\$ 392,791</u>	<u>\$ -</u>	(2,101,907)
GENERAL REVENUES					
School Board of Lee County - Operating					2,173,333
Grants and Entitlements - Unallocated					9,067
Interest Earning					865
Total General Revenues					2,183,265
CHANGE IN NET POSITION					81,358
Net Position - Beginning of Year					116,596
NET POSITION - END OF YEAR					<u>\$ 197,954</u>

See accompanying Notes to Financial Statements.

**THE HEIGHTS CHARTER SCHOOL, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General Fund
ASSETS	
Cash	\$ 232,303
Grants Receivable	11,606
Accounts Receivable	33,774
Total Assets	\$ 277,683
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accrued Payroll	\$ 90,455
Total Liabilities	90,455
FUND BALANCE	
Unassigned	187,228
Total Fund Balance	187,228
Total Liabilities and Fund Balance	\$ 277,683

See accompanying Notes to Financial Statements.

**THE HEIGHTS CHARTER SCHOOL, INC.
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Total Fund Balance for General Fund	\$	187,228
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation / amortization, in the net position of the government as a whole.

Capital Assets		676,432
Accumulated Depreciation and Amortization		(429,812)
Capital Assets, Net		246,620

Long-term liabilities are not due and payable in the current period and, therefore, not reported in the fund,

Compensated Absences		(4,249)
Lease Liability		(231,645)

Net Position of Governmental Activities	\$	197,954
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**THE HEIGHTS CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025**

	General Fund
REVENUES	
Federal through State Sources	\$ 392,791
State Sources	2,173,333
Charges for Services	67,548
Local Sources	9,067
Interest Earnings	865
Total Revenues	2,643,604
EXPENDITURES	
Current	
Instruction	1,524,571
Exceptional Education	79,299
Instruction-Related Technology	109,190
School Board	35,022
School Administration	364,241
Food Services	251,525
Operation of Plant	68,570
Debt Service:	
Principal	108,252
Interest	6,828
Total Expenditures	2,547,498
NET CHANGE IN FUND BALANCE	96,106
Fund Balance - Beginning of Year	91,122
FUND BALANCE - END OF YEAR	\$ 187,228

See accompanying Notes to Financial Statements.

**THE HEIGHTS CHARTER SCHOOL, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balance - Total General Fund	\$	96,106
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation and amortization expense.</p>		
Depreciation and Amortization Expense		(126,744)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.</p>		
Changes in Compensated Absences		3,744
<p>Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Principal Payments		<u>108,252</u>
Change in Net Position of Governmental Activities	\$	<u><u>81,358</u></u>

See accompanying Notes to Financial Statements.

THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Heights Charter School, Inc. (the School) is a nonprofit corporation organized in November 2015 pursuant to Chapter 617, Florida statutes, and Section 1002.33, Florida statutes. The School is located in Fort Myers, Florida.

Charter Contract

The School operates under a charter granted by the Lee County School District (the District). The current charter is effective until June 30, 2026, and may be renewed by mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable which would require inclusion in the School's basic financial statements.

Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. The more significant of the School's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and a statement of activities.

The government-wide statements are prepared using the *economic resources measurement focus* and the accrual basis of accounting. This differs from the way governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Government-Wide and Fund Financial Statements (Continued)

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Generally, revenues are considered available when they are collected within the current period or within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as capital outlay expenditures in the fund that acquired the asset.

The School funds its programs by a combination of public charter school revenues derived from the state of Florida, federal grants, local contributions, and other revenues.

The School has one major governmental fund, as follows:

General Fund

This fund is used to account for the accumulation and expenditure of resources used for general purpose of the School and does not require the establishment of any other type of fund.

Income Taxes

The Internal Revenue Service has determined the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The School is a nonprofit Florida corporation and therefore is not subject to state income taxes. The IRC provides for taxation of unrelated business taxable income under certain circumstances. The School reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities.

Compensated Absences

Employees are able to accrue annual leave based on their contract. If more days of leave are used than have been accrued during the term of the contract, the employee's next paycheck shall be deducted for each missed day as personal leave without pay. Up to five unused paid days of leave for teachers and 10 unused paid days of leave for administrative staff can be carried over to the next year. Unused days are not paid out at termination or at the expiration of the contract.

**THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Compensated Absences (CONTINUED)

The liability for compensated absences reported in the government-wide statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

Capital Assets

Capital assets are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the time of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

Furniture and Equipment	5 Years
Computer Equipment	3 Years

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Leases

The lease liability is initially measured at the present value of future lease payments expected to be made during the lease term, discounted using the School's incremental borrowing rate when the implicit rate is not readily determinable. The right-to-use lease asset is initially measured as the sum of the lease liability, payments made prior to commencement, and certain direct costs, less any lease incentives received. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset, and the liability is reduced as payments are made, with interest expense recognized on the liability.

THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Subscription Based Information Technology Arrangements (SBITA)

The subscription asset is initially measured at the sum of the subscription liability, payments made prior to commencement, and capitalizable implementation costs, less any incentives received. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term, discounted using the School's incremental borrowing rate when the implicit rate is not readily determinable. The subscription asset is amortized over the subscription term, and the liability is reduced as payments are made, with interest expense recognized on the liability.

Unearned Revenue

Unearned revenue represents resources that have been received, but not yet earned. The School does not have any of this type of item at June 30, 2025.

Fund Balance/Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

In accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School has policies governing the following fund balance classifications:

Nonspendable

This classification consists of amounts that cannot be spent because they are either not in spendable form or are legal or contractually required to be maintained intact.

Restricted

This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external providers, or through enabling legislation.

Committed

This classification includes amounts that are constrained for specific purposes imposed by the School's board.

Assigned

This classification consists of amounts that the board intends to be used for specific purposes but are neither restricted nor committed.

THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fund Balance/Net Position (CONTINUED)

Unassigned

This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Although the School does not have a formal spending prioritization policy, it is assumed that in instances when expenditures are incurred for purposes for which amounts in either restricted or unrestricted fund balance classifications could be used, restricted fund balance would be spent first. Remaining unrestricted fund balance would be spent as follows: committed amounts would be reduced first, followed by assigned amounts, and then unassigned.

Revenue Sources

Revenue for current operations is received primarily from the School District of Lee County, Florida, pursuant to the funding provisions included in the Charter. In accordance with the funding provisions of the Charter and Section 1002.33(18)(b), Florida statutes, the School reports the number of full-time equivalent (FTE) students and related data to the School District. The School Board receives a 5% administrative fee from the School, which is withheld from the respective FEFP payments. The administrative expense is reflected as School administration expense/expenditure in the accompanying statement of activities and statement of revenue, expenditures, and changes in fund balance – governmental funds.

Under provisions of Section 1011.62, Florida statutes, the Sponsor reports the number of students enrollments and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect revised calculations of actual student enrollment. The FDOE may also adjust subsequent fiscal period allocations based on an audit of the School's compliance in determining and reporting FTE and related data. Generally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The School may receive federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until such eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures are incurred.

THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures / expenses during the reporting period. Actual results could differ from those estimates.

Budget

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

Final expenditures for the School exceeded final budget during the year by \$74,965.

NOTE 2 CASH

Deposits

The School's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Chapter 208, Florida statutes, "Florida Security for Public Deposits Act," requires all qualified depositories to deposit with the Treasurer or another banking institution collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

At June 30, 2025, the carrying amount of the deposits and cash on hand totaled \$232,303, and the corresponding bank balance was \$229,050.

THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Capital Assets, Being				
Depreciated and Amortized:				
Furniture and Equipment	\$ 5,585	\$ -	\$ -	\$ 5,585
Computer Equipment	117,890	-	-	117,890
Right-to-Use Leased Building	507,853	-	-	507,853
Right-to-Use Leased Equipment	15,713	-	-	15,713
Subscription-Based Information Technology Arrangements	29,390	-	-	29,390
Total Capital Assets Being Depreciated and Amortized	676,431	-	-	676,431
Less: Accumulated Depreciation and Amortization:				
Furniture and Equipment	(2,356)	(806)	-	(3,162)
Computer Equipment	(68,881)	(17,696)	-	(86,577)
Right-to-Use Leased Building	(203,142)	(103,874)	-	(307,016)
Right-to-Use Leased Equipment	(523)	(3,143)	-	(3,666)
Subscription-Based Information Technology Arrangements	(28,165)	(1,225)	-	(29,390)
Total Accumulated Depreciation and Amortization	(303,067)	(126,744)	-	(429,811)
Capital Assets, Net	<u>\$ 373,364</u>	<u>\$ (126,744)</u>	<u>\$ -</u>	<u>\$ 246,620</u>

THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 CAPITAL ASSETS (CONTINUED)

Depreciation expense is charged to the following functions:

Instruction-Related Technology	\$ 17,696
School Administration	806
Instruction	108,242
Total	<u>\$ 126,744</u>

NOTE 4 LONG-TERM LIABILITIES

Changes in governmental long term liabilities for the year ended June 30, 2025 are summarized as follows:

Governmental Activities	Balance at July 1, 2024	Additions	Reductions	Balance at June 30, 2025	Due Within One Year
Leases	\$ 339,897	\$ -	\$ 108,252	\$ 231,645	\$ 101,945
Subscription-Based Information Technology Arrangements	-	-	-	-	-
Compensated Absences	7,993	-	3,744*	4,249	4,249
Governmental Activities Totals	<u>\$ 347,890</u>	<u>\$ -</u>	<u>\$ 111,996</u>	<u>\$ 235,894</u>	<u>\$ 106,194</u>

* The change in the compensated absences liability is presented as a net change.

Leases

Effective July 1, 2022, the School entered into a five-year lease agreement with a related party, The Heights Land Company (the Land Company), for the rental of the School building. The lease expires on June 30, 2027.

On April 29, 2024, the School entered into a five-year lease agreement for the rental of Copier equipment. The lease expires on May 14, 2029.

Total future minimum lease payments under lease agreements are as follows:

<u>Year Ending June 30,</u>	Principal Payments	Interest Payments	Total
2026	\$ 106,646	\$ 8,434	\$ 115,080
2027	118,916	2,964	121,880
2028	3,256	224	3,480
2029	2,827	63	2,890
Total	<u>\$ 231,645</u>	<u>\$ 11,685</u>	<u>\$ 243,330</u>

As of June 30, 2025, the outstanding lease liability is \$231,645. The lease incremental borrowing rate is 4.85%.

THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Subscription-Based Information Technology Arrangements

Effective August 10, 2022, the School entered into a two-year subscription-based information technology arrangement. The subscription-based information technology arrangement expired on August 9, 2024, and was not renewed in the current year. As of June 30, 2025, there is no outstanding subscription-based information technology arrangement liability.

Compensated Absences

The School employees accrue annual leave based on their contract and can carry over up to five days for teachers and ten days for administrative staff into the next year. The School estimates that 100% of the liability is more likely than not to be used and reports a liability for the accrued leave. As of June 30, 2025, the estimated liability for compensated absences totaled \$4,249. Of this amount, \$4,249 is estimated to be paid in the coming fiscal year. The net change in this liability during the fiscal year was a decrease of \$3,744.

NOTE 5 EMPLOYEE BENEFIT PLAN

The School has a defined contribution pension plan, Harlem Heights Community Charter School, Inc. 401(k) Plan (the Plan), covering all eligible employees. Under the Plan, the School makes a matching contribution equal to 100% of the salary deferral that does not exceed 3% plus 50% of the salary deferral between 3% and 5%. The Plan utilizes a five-year vesting schedule at 20% per year for employer contributions to the Plan, with vesting at 100% after the five years. If a Plan participant separates from the Plan before being fully vested, the employee's unvested portion remains in the Plan as a forfeiture and may be used by the Plan for administration expenses of the Plan or to reduce employer contributions.

For the year ended June 30, 2025, the School's contribution, including administrative costs, to the Plan was \$20,629.

NOTE 6 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. The School has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

THE HEIGHTS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 RELATED PARTY

Employee Salaries

The Heights Center and the School have a mutual verbal agreement where the Heights Center bills the School a percentage of certain employees' salaries, and the School charges Heights Center for a portion of a certain School employee's salary. The total amount the School paid the Heights Center under this agreement for the year ended June 30, 2025, was \$33,695. The total amount the Heights Center paid the School under this agreement for the year ended June 30, 2025, was \$67,548.

NOTE 8 CONTINGENCIES

The School is subject to financial and compliance audits by the granting agency to determine compliance with grant funding requirements. In the event the expenditure would be disallowed, repayment could be required. Government grants require the fulfillment of certain conditions as set forth by applicable laws, rules, and regulations and in the grant agreements. Failure to fulfill the conditions could result in the return of funds to the grantor.

NOTE 9 ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

The School implemented GASB Statement No. 101, *Compensated Absences*. This statement addresses accounting and financial reporting for compensated absences. This statement requires the School to record a liability that represents amounts owed to employees for vacation, sick leave, and other paid time off that are attributable to services already rendered and are expected to be paid when employees use the leave or upon termination. The liability for compensated absences is recognized when earned and is measured using the pay rates in effect at the financial statement date. The liability includes salary-related payments (such as the employer's share of Social Security and Medicare taxes) that are directly and incrementally associated with payments for compensated absences.

The School adopted the requirements of the guidance effective July 1, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

**THE HEIGHTS CHARTER SCHOOL, INC.
BUDGET TO ACTUAL COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES			
Federal through State Sources	\$ 406,357	\$ 392,791	\$ (13,566)
State Sources	2,066,021	2,173,333	107,312
Charges for Services	66,768	67,548	780
Local Sources	15,800	9,067	(6,733)
Interest Earning	-	865	865
Miscellaneous Revenues	750	-	(750)
Total Revenues	2,555,696	2,643,604	87,908
EXPENDITURES			
Current			
Instruction	1,501,704	1,524,571	22,867
Exceptional Education	75,823	79,299	3,476
Instruction-Related Technology	120,466	109,190	(11,276)
School Board	35,000	35,022	22
School Administration	342,677	364,241	21,564
Food Services	211,113	251,525	40,412
Operation of Plant	185,750	68,570	(117,180)
Debt Service:			
Principal	-	108,252	108,252
Interest	-	6,828	6,828
Total Expenditures	2,472,533	2,547,498	74,965
 NET CHANGE IN FUND BALANCE	 \$ 83,163	 96,106	 \$ 12,943
Fund Balance - Beginning of Year		91,122	
FUND BALANCE - END OF YEAR		\$ 187,228	

COMPLIANCE SECTION



**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**

Board of Directors
The Heights Charter School, Inc.
Fort Myers, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of The Heights Charter School, Inc., (the School) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 27, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

Fort Myers, Florida
August 27, 2025



MANAGEMENT LETTER REQUIRED BY CHAPTER 10.850 OF THE RULES OF THE AUDITOR GENERAL FOR THE STATE OF FLORIDA

Board of Directors
The Heights Charter School, Inc.
Fort Myers, Florida

Report on the Financial Statements

We have audited the financial statements of The Heights Charter School, Inc. (the School) as of and for the fiscal year ended June 30, 2025, and have issued our report thereon dated August 27, 2025.

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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated August 27, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1, Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial 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 in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are The Heights Charter School, Inc. and 4304.

Financial Condition

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 conditions met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Transparency

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

Additional Matters

Section 10.854(1)(4)4, Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or fraud, waste, or abuse, that has occurred or are likely to have occurred, that has an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not 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 of The Heights Charter School, Inc. applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Fort Myers, Florida
August 27, 2025

**THE HEIGHTS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2025**

2025 – 001 Audit Adjustments

Type of Finding: Material Weakness in Internal Control over Financial Reporting.

Condition: As part of the audit, we proposed audit adjustments to correct the School's revenue at year-end.

Criteria of Specific Requirement: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the School's ability to ensure financial transactions are authorized and accurate. The School's management is responsible for establishing and maintaining internal controls for year-end financial reporting and the proper recording of all transactions.

Effect: A proposed audit adjustment in the amount of \$44,949 was recorded by management to correct the financial statements.

Cause: The School's internal controls over financial reporting did not detect or prevent the misstatements requiring correction.

Repeated Finding: No

Recommendation: We recommend that Management implement stronger controls over the revenue recognition process including establishing formal procedures for identifying and recording revenue transactions, providing training to accounting staff on revenue recognition requirements, and performing regular reconciliations and reviews to ensure the completeness and accuracy of revenue records to the School's financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

View Responsible Official and Planned Corrective Actions: The School has no disagreement with the audit finding. The School will continue to improve and create procedures to make properly record entries at year-end through segregation of duties of deposits at year end and review of the receipt processing to ensure proper cutoff of revenue.



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