

**EDUCATIONAL HORIZONS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF
BREVARD COUNTY, FLORIDA**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS THEREON**

JUNE 30, 2021



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Educational Horizons, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during 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 total net position increased compared to the prior year.
- During 2021, the School's revenues exceeded expenses by \$201,769, which was an improvement from the prior year when revenues exceeded revenues by \$88,977.
- Overall, revenues (including the special item) increased by approximately \$181,000, which was a 17% increase from the prior year.
- Overall, expenses increased by approximately \$68,000, which was a 7% increase from the prior year.
- Total assets were \$603,246 and total liabilities were \$28,091, resulting in net position of \$575,155 as of June 30, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditor's 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*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements Governmental Funds
	Scope	Entire School
Required financial statements	Statement of net position Statement of activities	Balance sheet – governmental funds Statement of revenues, expenditures and changes in fund balances – governmental funds
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position – the difference between the School's assets and deferred outflows of resources and its liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base, the quality of the education and the safety of the School.

The government-wide financial statements of the School are generally divided into three categories:

Governmental Activities – Most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.

Business-type Activities – In certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.

Component Units – There currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has one type of fund:

Governmental Funds – Most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position as of June 30, 2021 and 2020 is summarized as follows – see table below:

	Governmental Activities		Increase (Decrease)
	2021	2020	
Current and other assets	\$ 561,157	\$ 483,458	16%
Capital assets, net	42,089	23,053	83%
Total assets	<u>603,246</u>	<u>506,511</u>	<u>19%</u>
Current and other liabilities	16,691	1,125	1384%
Long-term liabilities	11,400	132,000	-91%
Total liabilities	<u>28,091</u>	<u>133,125</u>	<u>-79%</u>
Net position:			
Net investment in capital assets	30,689	23,053	33%
Unrestricted	544,466	350,333	55%
Total net position	<u>\$ 575,155</u>	<u>\$ 373,386</u>	<u>54%</u>

Capital assets, net increased due to capital asset additions exceeding depreciation expense. Current liabilities changed due to the timing of payments at year-end. Long-term liabilities decreased due to PPP loan forgiveness during the current year. Net investment in capital assets is the result of capital assets, net reduced by related borrowings. Current and other assets and total net position changed due to the current year operating surplus and the activity noted above.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

Change in Net Position

The School's total revenues increased by 5% to \$1,095,673, and the total cost of all programs and services increased by 7% to \$1,025,904 – see table below.

	Governmental Activities		Increase (Decrease)
	2021	2020	
Revenues:			
Federal sources passed through local school district	\$ -	\$ 10,000	-100%
State and local sources	1,093,730	1,012,248	8%
Contributions and other revenue	1,943	24,711	-92%
Total revenues	<u>1,095,673</u>	<u>1,046,959</u>	<u>5%</u>
Expenses:			
Instruction	473,143	475,621	-1%
Board	13,401	10,318	30%
General administration	161,473	136,618	18%
School administration	144,796	123,937	17%
Operation and maintenance of plant	232,543	211,488	10%
Interest	548	-	100%
Total expenses	<u>1,025,904</u>	<u>957,982</u>	<u>7%</u>
Special item:			
PPP loan forgiveness	132,000	-	100%
Change in net position	<u>\$ 201,769</u>	<u>\$ 88,977</u>	<u>127%</u>

Contributions and other revenue changed due to a decrease in management fee revenue received from a feeder school in the current year.

General administration changed due increased management fees during the year. School administration changed due to increased staffing. Operation and maintenance of plant changed due to increased contracted security services in the current year.

The special item is the result of the School receiving PPP loan forgiveness in the current year.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a fund balance of \$544,466. Both revenues and expenditures changed for the same reasons described above.

General Fund Budgetary Highlights

Over the course of the year, the School revised its budget several times to account for the changes in student enrollment and resulting increases in appropriations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

For 2021, actual general fund revenues and expenditures were not significantly different from the budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The School's investment in capital assets at the end of fiscal 2021 amounts to \$42,089 (net of accumulated depreciation). See table below:

	Governmental Activities		Increase (Decrease)
	2021	2020	
Leasehold improvements	\$ 31,903	\$ 25,393	26%
Furniture, fixtures and equipment	54,631	31,850	72%
Less accumulated depreciation	(44,445)	(34,190)	-30%
Total capital assets, net	<u>\$ 42,089</u>	<u>\$ 23,053</u>	<u>83%</u>

The School purchased a copy machine with a capital lease in the current year. There were no disposals during the current year. More detailed information about the School's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

As of June 30, 2021, the School had \$11,400 in long-term debt outstanding, consisting of a capital lease obligation. The School received forgiveness of its Payroll Protection Program ("PPP") promissory note payable in the amount of \$132,000 in June 2021.

More detailed information about the School's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2022:

- Projected increase in student population

Amounts available for appropriation in the general fund are approximately \$1,011,000, an increase of less than 1% over the final 2021 amount of \$1,007,971. Budgeted expenditures are expected to be approximately \$960,000, an increase of less than 1% from the final 2021 amount of \$959,939. The School has added no major new programs to the fiscal 2022 budget.

If these estimates are realized, the School's budgetary general fund balance is expected to increase by the close of fiscal 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at P.O. Box 372478, Satellite Beach, Florida 32937-0478.

INDEPENDENT AUDITOR’S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

To the Board of Directors of Educational Horizons, Inc., a Charter School
and Component Unit of the District School Board of Brevard County, Florida

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of Educational Horizons, Inc. (the “School”), a charter school and component unit of the District School Board of Brevard County, 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 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 *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 and each major fund of Educational Horizons, Inc. as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7 and the budgetary comparison information on page 26 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 20, 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.

BKHM, P.A.

Winter Park, Florida
September 20, 2021

EDUCATIONAL HORIZONS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA

STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 524,038
Accounts receivable	17,045
Other assets	20,074
Capital assets, net	42,089
Total assets	\$ 603,246
LIABILITIES	
Accounts payable and accrued expenses	\$ 16,691
Long-term liabilities:	
Due within one year	2,571
Due in more than one year	8,829
Total liabilities	28,091
NET POSITION	
Net investment in capital assets	30,689
Unrestricted	544,466
Total net position	575,155
Total liabilities and net position	\$ 603,246

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

**EDUCATIONAL HORIZONS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental activities:						
Instruction	\$ 473,143	\$ -	\$ -	\$ -	\$ (473,143)	\$ (473,143)
Board	13,401	-	-	-	(13,401)	(13,401)
General administration	161,473	-	-	-	(161,473)	(161,473)
School administration	144,796	-	-	-	(144,796)	(144,796)
Operation and maintenance of plant	232,543	-	-	-	(232,543)	(232,543)
Interest	548	-	-	-	(548)	(548)
Total primary government	<u>\$ 1,025,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,025,904)</u>	<u>(1,025,904)</u>
General revenues:						
State and local sources					1,093,730	1,093,730
Contributions and other revenue					1,943	1,943
Total general revenues					<u>1,095,673</u>	<u>1,095,673</u>
Special item - PPP loan forgiveness					132,000	132,000
Total general revenues and special item					<u>1,227,673</u>	<u>1,227,673</u>
Change in net position					201,769	201,769
Net position at beginning of year					373,386	373,386
Net position at end of year					<u>\$ 575,155</u>	<u>\$ 575,155</u>

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

EDUCATIONAL HORIZONS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 524,038	\$ -	\$ 524,038
Accounts receivable	-	17,045	17,045
Other assets	20,074	-	20,074
Due from capital projects fund	17,045	-	17,045
Total assets	<u>\$ 561,157</u>	<u>\$ 17,045</u>	<u>\$ 578,202</u>
LIABILITIES			
Accounts payable and accrued expenditures	\$ 16,691	\$ -	\$ 16,691
Due to general fund	-	17,045	17,045
Total liabilities	<u>16,691</u>	<u>17,045</u>	<u>33,736</u>
FUND BALANCES			
Nonspendable:			
Other assets	20,074	-	20,074
Unassigned	524,392	-	524,392
Total fund balances	<u>544,466</u>	<u>-</u>	<u>544,466</u>
Total liabilities and fund balances	<u>\$ 561,157</u>	<u>\$ 17,045</u>	<u>\$ 578,202</u>

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

EDUCATIONAL HORIZONS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA

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

JUNE 30, 2021

Total fund balances - total governmental funds \$ 544,466

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 cost of the assets is \$86,534 and the accumulated depreciation is \$44,445. 42,089

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end include:

Capital lease (11,400)

Total net position - governmental activities \$ 575,155

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

EDUCATIONAL HORIZONS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA

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

FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
State and local sources	\$ 1,006,028	\$ 87,702	\$ 1,093,730
Contributions and other revenue	1,943	-	1,943
Total revenues	<u>1,007,971</u>	<u>87,702</u>	<u>1,095,673</u>
EXPENDITURES			
Current:			
Instruction	464,916	-	464,916
Board	13,401	-	13,401
General administration	161,473	-	161,473
School administration	142,768	-	142,768
Operation and maintenance of plant	144,841	87,702	232,543
Debt service:			
Principal	2,301	-	2,301
Interest	548	-	548
Other capital outlay	29,291	-	29,291
Total expenditures	<u>959,539</u>	<u>87,702</u>	<u>1,047,241</u>
Excess of revenues over expenditures	<u>48,432</u>	<u>-</u>	<u>48,432</u>
OTHER FINANCING SOURCES			
Proceeds from capital lease	13,701	-	13,701
Total other financing sources	<u>13,701</u>	<u>-</u>	<u>13,701</u>
Net change in fund balances	62,133	-	62,133
Fund balances at beginning of year	482,333	-	482,333
Fund balances at end of year	<u>\$ 544,466</u>	<u>\$ -</u>	<u>\$ 544,466</u>

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

**EDUCATIONAL HORIZONS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

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

FOR THE YEAR ENDED JUNE 30, 2021

Net changes in fund balances - total governmental funds	\$ 62,133
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Amounts reported for governmental activities in the statement of activities are 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 is the amount by which capital outlays (\$29,291) exceed depreciation expense (\$10,255) in the current period.	19,036
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(13,701)
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Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.	2,301
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Revenues from PPP loan forgiveness in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.	132,000
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Change in net position of governmental activities	\$ <u>201,769</u>
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The accompanying notes to financial statements are an integral part of this statement.

**EDUCATIONAL HORIZONS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Educational Horizons, Inc. (the "School") 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 governing body of the School is the not-for-profit corporation Board of Directors, which is composed of four members. The School operates under the name of Educational Horizons Charter School.

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 District School Board of Brevard County, Florida (the "School Board"). The current charter is effective until June 30, 2031 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education ("FDOE") to be redistributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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 GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides 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.

Basis of Presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

EDUCATIONAL HORIZONS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(continued)

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the School are generally divided into three categories:

Governmental Activities – Most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.

Business-type Activities – In certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.

Component Units – There currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

General Fund – To account for all financial resources not required to be accounted for in another fund.

Capital Projects Fund – To account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

For purposes of these statements, the general and capital projects funds are considered major funds. There are no other governmental funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

EDUCATIONAL HORIZONS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(continued)

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current year or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

Cash and Cash Equivalents

Investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents. Cash deposits are held by banks qualified as public depositories under Florida law. All deposits held by qualified public depositories are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool under Chapter 280, Florida Statutes.

Receivables

Receivables consist of amounts due from governmental agencies for capital outlay or other programs. Allowances are reported when management estimates that accounts may be uncollectible.

Capital Assets and Depreciation

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair value at the date of donation.

EDUCATIONAL HORIZONS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
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NOTES TO FINANCIAL STATEMENTS
(continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Leasehold improvements	7
Furniture, fixtures and equipment	5 – 7

Information relative to changes in capital assets is described in Note 4.

Long-term Liabilities

Long-term obligations that will be financed by resources to be received in the future by the governmental funds are reported in the government-wide financial statements, not in the governmental funds. Information relative to changes in long-term liabilities is described in Note 6.

Fund Balance Spending Policy

The School's adopted spending policy is to spend from the restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Directors. No funds may be assigned. There are no minimum fund balance requirements for any of the School's funds.

Revenue Sources

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the FDOE by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 2% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying financial statements.

EDUCATIONAL HORIZONS, INC.
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NOTES TO FINANCIAL STATEMENTS
(continued)

The School receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net position and restricted fund balance in the accompanying financial statements.

Income Taxes

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the statement of net position and the balance sheet – governmental funds and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

Subsequent Events

The School has evaluated subsequent events through September 20, 2021, the date these financial statements were available to be issued.

Recently Issued Accounting Pronouncement

In June 2017, the GASB issued Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this guidance, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about a school's leasing activities. The new standard is effective for the fiscal year ending June 30, 2022. The cumulative effect of any changes adopted to conform to the provisions of this guidance would be reported as a restatement of beginning net position and fund balance. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

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NOTES TO FINANCIAL STATEMENTS
(continued)

2 INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances as of June 30, 2021:

	Interfund Receivables	Interfund Payables
General fund	\$ 17,045	\$ -
Capital projects fund	-	17,045
Total interfund	\$ 17,045	\$ 17,045

The amount payable by the capital projects fund to the general fund is to cover temporary cash shortages related to the timing of receipts.

3 OTHER ASSETS

Other assets consist of the following as of June 30, 2021:

Prepaid rent	\$ 10,968
Prepaid insurance	9,106
Total other assets	\$ 20,074

4 CHANGES IN CAPITAL ASSETS

Capital asset activity during 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Leasehold improvements	\$ 25,393	\$ 6,510	\$ -	\$ 31,903
Furniture, fixtures and equipment	31,850	22,781	-	54,631
Total depreciable capital assets	57,243	29,291	-	86,534
Less accumulated depreciation for:				
Leasehold improvements	(6,163)	(4,253)	-	(10,416)
Furniture, fixtures and equipment	(28,027)	(6,002)	-	(34,029)
Total accumulated depreciation	(34,190)	(10,255)	-	(44,445)
Governmental activities capital assets, net	\$ 23,053	\$ 19,036	\$ -	\$ 42,089

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NOTES TO FINANCIAL STATEMENTS
(continued)

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 8,227
School administration	<u>2,028</u>
Total governmental activities depreciation expense	<u><u>\$ 10,255</u></u>

5 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and collectibility of any related receivable as of June 30, 2021 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal Matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

Risk Management Program

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

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NOTES TO FINANCIAL STATEMENTS
(continued)

Operating Leases

The School leases its facility under non-cancelable operating leases. These leases require the School to pay insurance and other costs. Aggregate remaining minimum rental commitments as of June 30, 2021 under these leases are summarized as follows:

Year Ended June 30,	Amount
2022	\$ 128,292
2023	128,292
2024	128,292
2025	128,292
2026	128,292
2027 - 2031	641,460
Total future minimum lease payments	\$ 1,282,920

Rental expense during 2021 totaled \$127,948 and is included in operation and maintenance of plant in the accompanying financial statements.

Uncertainty

The extent of the impact and effects of the outbreak of the coronavirus on the School's operations will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions, changes in enrollment and the impact on governmental funding, all of which are highly uncertain and cannot be predicted. While the School's operations have not been significantly impacted due to the virus to date, if the virus causes significant negative impacts to economic conditions, the School's operations may be adversely affected.

6 LONG-TERM LIABILITIES

Long-term liabilities activity during 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Capital lease	\$ -	\$ 13,701	\$ (2,301)	\$ 11,400	\$ 2,571
Note payable	132,000	-	(132,000)	-	-
Governmental activities, long-term liabilities	\$ 132,000	\$ 13,701	\$ (134,301)	\$ 11,400	\$ 2,571

EDUCATIONAL HORIZONS, INC.
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NOTES TO FINANCIAL STATEMENTS
(continued)

The School received forgiveness of its Payroll Protection Program (“PPP”) promissory note payable in the amount of \$132,000 in June 2021. This amount is reflected as the special item in the accompanying statement of activities.

Capital Lease

The School leases a portion of its equipment under a lease agreement that is classified as a capital lease. The capital lease requires monthly payments of principal and interest at a rate of 5.25%. The economic substance of the lease is that the School is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the School’s statement of net position.

Leased assets as of June 30, 2021 consist of the following:

	Governmental Activities
Furniture, fixtures and equipment	\$ 13,701
Less accumulated depreciation	(2,512)
	\$ 11,189

Future debt service requirements related to the capital lease are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	\$ 2,571	\$ 537	\$ 3,108
2023	2,709	399	3,108
2024	2,855	253	3,108
2025	3,265	101	3,366
	\$ 11,400	\$ 1,290	\$ 12,690

**EDUCATIONAL HORIZONS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

7 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

The following is a schedule of state and local revenue sources and amounts:

District School Board of Brevard County, Florida:	
Florida Education Finance Program	\$ 489,606
Class size reduction	178,588
Emergency order funding adjustment	169,592
Capital outlay	55,139
Discretionary millage	52,350
County sales surtax funds	32,563
Supplemental academic instruction	29,037
ESE guaranteed allocation	26,494
Teacher salary increase allocation	22,365
Discretionary compression	10,696
Instructional materials	7,652
Safe schools	6,686
Reading allocation	4,642
Mental health allocation	3,703
Teacher lead	2,427
Compression allocation	1,253
Library media materials	509
FLVS training stipend	250
Digital classrooms allocation	178
Total	<u><u>\$ 1,093,730</u></u>

The administrative fee paid to the School Board during 2021 totaled \$19,620, which is reflected as a general administration expense/expenditure in the accompanying financial statements.

EDUCATIONAL HORIZONS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
State and local sources	\$ 1,007,000	\$ 982,800	\$ 1,006,028	\$ 23,228
Contributions and other revenue	28,000	28,000	1,943	(26,057)
Total revenues	<u>1,035,000</u>	<u>1,010,800</u>	<u>1,007,971</u>	<u>(2,829)</u>
EXPENDITURES				
Current:				
Instruction	506,484	470,000	464,916	5,084
Board	500	150	13,401	(13,251)
General administration	-	-	161,473	(161,473)
School administration	270,612	275,000	142,768	132,232
Fiscal services	10,500	11,000	-	11,000
Operation and maintenance of plant	161,640	193,000	144,841	48,159
Administrative technology services	6,000	11,000	-	11,000
Debt service:				
Principal	-	-	2,301	(2,301)
Interest	-	-	548	(548)
Other capital outlay	-	-	29,291	(29,291)
Total expenditures	<u>955,736</u>	<u>960,150</u>	<u>959,539</u>	<u>611</u>
Excess of revenues over expenditures	<u>79,264</u>	<u>50,650</u>	<u>48,432</u>	<u>(2,218)</u>
OTHER FINANCING SOURCES				
Proceeds from capital lease	-	-	13,701	13,701
Total other financing sources	-	-	13,701	13,701
Net change in fund balance	79,264	50,650	62,133	11,483
Fund balance at beginning of year	482,333	482,333	482,333	-
Fund balance at end of year	<u>\$ 561,597</u>	<u>\$ 532,983</u>	<u>\$ 544,466</u>	<u>\$ 11,483</u>

See independent auditor's report.

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

To the Board of Directors of Educational Horizons, Inc., a Charter School
and Component Unit of the District School Board of Brevard County, 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 each major fund of Educational Horizons, 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 20, 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

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



Winter Park, Florida
September 20, 2021

**ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE AUDITOR GENERAL,
CHAPTER 10.850**

To the Board of Directors of Educational Horizons, Inc., a Charter School
and Component Unit of the District School Board of Brevard County, Florida

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities and each major fund of Educational Horizons, Inc. (the "School"), a charter school and component unit of the District School Board of Brevard County, Florida, as of and for the year ended June 30, 2021, and have issued our report thereon dated September 20, 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 Auditor's 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*. Disclosures in that report, which is dated September 20, 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. There were no findings and recommendations 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 in this management letter. The official title of the entity is Educational Horizons, Inc., and the school code assigned by the Florida Department of Education is 6511.

FINANCIAL CONDITION AND MANAGEMENT

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

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

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 website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

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 District School Board of Brevard County, Florida and is not intended to be, and should not be, used by anyone other than these specified parties.



Winter Park, Florida
September 20, 2021