

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORTS THEREON**

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2023**



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* PALM ACRES CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2023

The discussion and analysis of City of Palms Charter High School, Inc. *dba* Palm Acres Charter High School's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2023. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The year ended June 30, 2023 represents the ninth year of operations for the School. Upon expiration of the School's original five-year contract, the School District of Lee County granted a fifteen-year renewal ending June 30, 2034. Operations of the School are under direct control of the governing board. The governing board has hired a Principal to oversee educational aspects of the School and contracted a local educational service provider, Consulting + Professional Assistance, Inc. (CPA's), to manage all business operations related to the School. The School is related to City of Palms Charter High School and to Northern Palms Charter High School through a common board of governance. (See Note 1)

Governmental Accounting Standards Board Statement (GASB) No. 87 - Leases

GASB 87 requires recognition of intangible right-to-use lease assets and their related long-term lease liabilities. Previous to issuance of GASB 87, such leases were classified as operating leases and payments related to the contract were recognized as expenditures. Financial statements have been restated to reflect implementation of GASB 87.

Financial Highlights

On March 27, 2020, the President signed the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). The CARES Act offers, in part, stimulus funds in the form of forgivable loans and modifications of tax provisions previously passed in the Tax Cuts and Jobs Act. The uncertainty of the pandemic required the School to move to distance learning options through the end of the FY21 school year. During FY22, students were required to return to campus.

At the end of FY23, the School's assets exceeded liabilities by \$1,347,260 (net position). This is an increase of \$396,683 from the prior year when assets exceeded liabilities by \$950,577. Enrollment at Palm Acres Charter High School (PACHS) rose to 297 students in FY23 from 277 students in FY22. PACHS contributed \$180,000 and \$325,000 to schools operated by their common Board of Directors during FY23 and FY22, respectively.

Using this Financial Report

The six parts of this report are: 1) Management's discussion and analysis; 2) Independent auditor's report; 3) The basic financial statements; 4) Notes to the financial statements; 5) Required supplementary information; 6) Management letter.

Basic financial statements include two kinds of statements presenting different views of the School:

- 1) The "Statement of Net Position" and the "Statement of Activities" are government-wide financial statements that provide information about the School's overall financial status.
- 2) The "Balance Sheet" and the "Statement of Revenues, Expenditures and Changes in Fund Balance", are fund financial statements that focus on individual parts of the School. These statements are more detailed than the government-wide statements.

Government-Wide Financial Statements

These statements report information about the School as a whole using accounting methods similar to those used by the private sector. The "Statement of Net Position" includes all of the School's assets and liabilities. 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. Changes in net position provide an indicator of improving or deteriorating financial position.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* PALM ACRES CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2023
(continued)

Government-Wide Financial Statements - Analysis of the School (continued)

Net Position

The table below provides a comparative summary of net position for FY23 and FY22.

| | <u>2023</u> | <u>2022</u> | <u>Increase (Decrease)</u> |
|----------------------------|---------------------|---------------------|--------------------------------|
| Assets | | | |
| Current assets | \$ 1,414,933 | \$ 1,314,584 | \$ 100,349 |
| Right-to-use assets, net | 90,573 | 168,208 | (77,635) |
| Capital assets, net | <u>35,236</u> | <u>56,173</u> | <u>(20,937)</u> |
| Total assets | <u>\$ 1,540,742</u> | <u>\$ 1,538,965</u> | <u>\$ 1,777</u> |
| Liabilities | | | |
| Current liabilities | \$ 104,070 | \$ 421,516 | \$ (317,446) |
| Long-term liabilities | <u>89,412</u> | <u>166,872</u> | <u>(77,460)</u> |
| Total liabilities | <u>\$ 193,482</u> | <u>\$ 588,388</u> | <u>\$ (394,906)</u> |
| Net assets | | | |
| Invested in capital assets | \$ 35,236 | \$ 56,173 | \$ (20,937) |
| Unrestricted | <u>1,312,024</u> | <u>894,404</u> | <u>417,620</u> |
| Total net position | <u>\$ 1,347,260</u> | <u>\$ 950,577</u> | <u>\$ 396,683</u> |

The School's net capital assets are represented by computer servers and workstations - \$11,496 (33%), security hardware - \$4,743 (13%), and leasehold improvements - \$18,997 (54%). Current liabilities are comprised entirely of accrued payroll \$104,070 (100%). (Note 8)

Change in Net Position

The table on the following page shows the comparative summary of changes in net position, revenues and expenses for FY23 and FY22.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education ("FDOE") for funding through the Florida Education Finance Program (FEFP). During the year, funding is adjusted to reflect the revised calculations by 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 in October and February. Enrollment at PACHS increased by 20 students (7%) between FY22 and FY23. Revenues from FEFP were increased ratably. Capital project funding increased by 10%. Federal grant revenues increased by \$209,199 to \$247,540 due to receipt of ESSER II funds in FY23. Overall revenues increased by \$482,902 (22%) while expenses increased by \$136,129 (6%) from the prior year. The increase in revenues is directly related to the increase in enrollment and federal grant revenues. Contributions to the other high schools operated by the common Board of Directors authorized in FY23 and FY22 are \$180,000 and \$325,000, respectively.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* PALM ACRES CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2023
(continued)

Change in Net Position – continued

Statement of Activities

| | 2023 | 2022 | Increase (Decrease) |
|--|------------|------------|------------------------|
| Revenues | | | |
| Federal sources | \$ 247,540 | \$ 38,341 | \$ 209,199 |
| State and local sources | 2,232,958 | 1,977,424 | 255,534 |
| Capital outlay | 160,804 | 146,621 | 14,183 |
| Other revenues | 3,986 | - | 3,986 |
| Total revenues | 2,645,288 | 2,162,386 | 482,902 |
| Expenses | | | |
| Instruction | 715,106 | 590,628 | 124,478 |
| Instructional support services | 145,708 | 106,457 | 39,251 |
| Board | 25,088 | 33,427 | (8,339) |
| School administration | 949,988 | 992,900 | (42,912) |
| Central services | 90,703 | 88,835 | 1,868 |
| Pupil transportation services | 3,858 | 1,464 | 2,394 |
| Operation of plant | 299,487 | 279,717 | 19,770 |
| Maintenance of plant | 6,127 | 6,508 | (381) |
| Total expenses | 2,236,065 | 2,099,936 | 136,129 |
| Change in net position from operations | 409,223 | 62,450 | 346,773 |
| Right-to-use lease interest | (12,540) | (12,174) | (366) |
| SBA PPP loan forgiveness | - | 171,865 | (171,865) |
| Total change in net position | \$ 396,683 | \$ 222,141 | \$ 174,542 |

Financial Analysis of the School's Funds

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 sources of funding and spending.

The School's basic services are included in governmental funds which focus 1) on how financial assets can be converted to cash flows and 2) on the year-end balances available for spending.

In particular, unassigned fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the School's governmental fund reported an ending unassigned fund balance of \$1,312,024 – an increase of \$417,620 (47%) over the ending unassigned fund balance of \$894,404 in FY22.

General Fund Budgetary Highlights

The School prepared an annual budget based on the expected funded enrollment figure for the school year. The original budget anticipated enrollment of 340 students. Actual enrollment was 297 students. The budget did not include contributions from PACHS to the other schools operated by a common board.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* PALM ACRES CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2023
(continued)

Capital Assets

The School had \$35,236 and \$56,173 invested in capital assets at June 30, 2023 and 2022, respectively. The capitalization threshold for classification of long-term assets is \$1,000.

Capital Assets - Net of Depreciation

| | 2023 | 2022 | Increase (Decrease) |
|-----------------------------------|-----------|-----------|------------------------|
| Furniture, fixtures and equipment | \$ - | \$ - | \$ - |
| Security hardware | 4,743 | 7,056 | (2,313) |
| Computer hardware | 11,496 | 10,860 | 636 |
| Instructional technology | - | - | - |
| Computer software | - | - | - |
| Leasehold Improvements | 18,997 | 38,257 | (19,260) |
| Total | \$ 35,236 | \$ 56,173 | \$ (20,937) |

The School's net capital assets are represented primarily by computer servers, workstations and software; desks, tables and chairs and security equipment. For more information on capital assets, see Note 6 in the Notes to the Basic Financial Statements. Additions of \$9,619 are represented by computer hardware additions.

Lease Asset and Liability

The School implemented GASB Statement No. 87 - Leases, which requires the recognition of certain long term lease contracts in which the School has control of a non-financial asset. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments and reasonably certain guarantees. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

The non-financial asset is recorded as an intangible right-to-use asset. The right-to-use asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. The right-to-use asset is amortized over the shorter of the useful life of the asset or lease term. In the current fiscal year, the School recognized a net right-to-use asset of \$90,573 and a lease liability of \$89,412.

Information related to the change in the right-to-use asset and lease liability is presented in Note 9.

Current Financial Statements

This fiscal year was the eighth year of the School's operations. The School's original 5-year contract with the School District of Lee County was renewed in June 2019 for an additional 15 years ending June 30, 2034. PACHS is the second of three schools opened and operated by the Board of Directors of City of Palms Charter High School, Inc. (the "Board"). The Board has contracted with Consulting and Professional Assistance, Inc. ("CPA's") to provide day-to-day business support services including facilities, equipment, technology, operational support services, financial reporting, and personnel management and consulting services. CPA's provides services for a percentage share of revenues received by the School.

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. If you have questions about this report or need additional information, contact Amy Rohner, Vice President for School Services, Consulting and Professional Assistance, Inc. at City of Palms Charter High School, 2830 Winkler Avenue, Suite 201, Fort Myers, FL 33916; (239) 561-6611.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* PALM ACRES CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2023
(continued)

Next Year's Budget

Amounts available for appropriation in the general fund for FY24 are approximately \$2.580 million, approximately a \$347,000 (16%) increase over FY23 actual amounts based upon projected enrollment. Budgeted expenditures are approximately \$1.415 million, nearly a 29% decrease from FY23 actual amounts excluding contributions. The FY24 budget also includes nearly \$487,000 of federal grant revenues for ESSER III. If the above estimates are realized, the general fund is expected to increase by nearly \$1,170,000 by the end of FY24.



Independent Auditor's Report

To the Board of Directors of City of Palms Charter High School, Inc. *dba* Palm Acres Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of City of Palms Charter High School, Inc. *dba* Palm Acres Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida, (the "School") as of and for the year ended June 30, 2023, 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 each major fund of City of Palms Charter High School, Inc. *dba* Palm Acres Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida as of and for the year ended June 30, 2023, 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. Our responsibilities under those standards are further described in the Auditor's 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 the 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 representation 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.

Auditor's 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 auditor's 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 generally accepted 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 generally accepted 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 and 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 of 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 budgetary comparison information 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 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 an 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 29, 2023, 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, grant agreements and other matters. The purpose of that report is 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 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.

The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are not presented and are not a required part of the basic financial statements.

McCrady and Associates, PLLC

Altamonte Springs, Florida
September 29, 2023

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CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Statement of Net Position

June 30, 2023

| Assets | Governmental Activities |
|------------------------------------|----------------------------|
| Cash | \$ 725,771 |
| Accounts receivable | 656,330 |
| Other assets | 32,832 |
| Right-to-use assets: | |
| Right-to-use lease asset | 388,174 |
| Less accumulated amortization | <u>(297,601)</u> |
| Total right-to-use assets, net | <u>90,573</u> |
| Capital assets: | |
| Furniture, fixtures and equipment | 134,482 |
| Security hardware | 36,511 |
| Computer hardware | 86,614 |
| Instructional technology | - |
| Computer software | - |
| Leasehold improvements | 63,519 |
| Less accumulated depreciation | <u>(285,890)</u> |
| Total capital assets, net | <u>35,236</u> |
| Total assets | <u>\$ 1,540,742</u> |
| Liabilities | |
| Accrued payroll payable | \$ 104,070 |
| Long-term liabilities: | |
| Lease note payable within one year | 77,084 |
| Lease note payable after one year | <u>12,328</u> |
| Total liabilities | <u>\$ 193,482</u> |
| Net Position | |
| Invested in capital assets | \$ 35,236 |
| Unrestricted | <u>1,312,024</u> |
| Total net position | <u>\$ 1,347,260</u> |

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Statement of Activities

For the Year Ended June 30, 2023

| | Expenses | Operating Grants | Capital Grants | Net (Expenses) Revenues and Changes in Net Position |
|--------------------------------|---------------------|-----------------------------|--|---|
| | <u>Expenses</u> | <u>Operating Grants</u> | <u>Capital Grants</u> | <u>Total Governmental Activities</u> |
| Governmental activities: | | | | |
| Instruction | \$ 715,106 | \$ 45,885 | \$ - | \$ (669,221) |
| Instructional support services | 145,708 | 49,207 | - | (96,501) |
| Board | 25,088 | - | - | (25,088) |
| School administration | 949,988 | - | - | (949,988) |
| Central services | 90,703 | - | - | (90,703) |
| Transportation | 3,858 | - | - | (3,858) |
| Operation of plant | 299,487 | 165 | 160,804 | (138,518) |
| Maintenance of plant | 6,127 | - | - | (6,127) |
| Total primary government | <u>\$ 2,236,065</u> | <u>\$ 95,257</u> | <u>\$ 160,804</u> | <u>(1,980,004)</u> |
| | | | Federal sources | 152,283 |
| | | | State and local sources | <u>2,236,944</u> |
| | | | Total general revenues | <u>2,389,227</u> |
| | | | Change in net position from operations | 409,223 |
| | | | Lease note payable - interest | <u>(12,540)</u> |
| | | | Total change in net position | 396,683 |
| | | | Net position at beginning of year | <u>950,577</u> |
| | | | Net position at end of year | <u>\$ 1,347,260</u> |

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Balance Sheet – Governmental Funds

June 30, 2023

| | Total Governmental Funds - General Fund |
|------------------------------------|--|
| Assets | |
| Cash | \$ 725,771 |
| Accounts receivable | 656,330 |
| Other assets | <u>32,832</u> |
| Total assets | <u>\$ 1,414,933</u> |
| Liabilities | |
| Accrued payroll payable | <u>\$ 104,070</u> |
| Total liabilities | <u>104,070</u> |
| Fund Balance | |
| Nonspendable: | |
| Nonspendable | 32,832 |
| Spendable: | |
| Unassigned | <u>1,278,031</u> |
| Total fund balance | <u>1,310,863</u> |
| Total liabilities and fund balance | <u>\$ 1,414,933</u> |

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position

June 30, 2023

Total fund balance - governmental fund \$ 1,310,863

Amounts reported for governmental activities in the statement
of net assets are different because:

Assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in the
governmental funds.

| | |
|--------------------------|-----------|
| Capital assets | 321,126 |
| Accumulated depreciation | (285,890) |
| Right-to-use lease asset | 388,174 |
| Accumulated amortization | (297,601) |

Long-term liabilities, including notes payable, 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 consist of the lease note payable.

(89,412)

Total net position - governmental activities

\$ 1,347,260

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds

For the Year Ended June 30, 2023

| | General Fund | Special Revenue Fund | Capital Projects Fund | Total Governmental Funds |
|--|---------------------|----------------------------|-----------------------------|--------------------------------|
| Revenues | | | | |
| Federal sources | \$ - | \$ 247,540 | \$ - | \$ 247,540 |
| State and local sources | 2,232,958 | - | - | 2,232,958 |
| Capital outlay | - | - | 160,804 | 160,804 |
| Other revenues | 3,986 | - | - | 3,986 |
| Total revenues | <u>2,236,944</u> | <u>247,540</u> | <u>160,804</u> | <u>2,645,288</u> |
| Expenditures | | | | |
| Instruction | 666,917 | 45,885 | - | 712,802 |
| Instructional support services | 96,501 | 49,207 | - | 145,708 |
| Board | 25,088 | - | - | 25,088 |
| School administration | 946,954 | - | - | 946,954 |
| Central services | 90,703 | - | - | 90,703 |
| Transportation | 3,858 | - | - | 3,858 |
| Operation of plant | 125,664 | 165 | 160,804 | 286,633 |
| Maintenance of plant | 6,128 | - | - | 6,128 |
| Capital outlay | 9,619 | - | - | 9,619 |
| Total expenditures | <u>1,971,432</u> | <u>95,257</u> | <u>160,804</u> | <u>2,227,493</u> |
| Net change in fund balance from operations | 265,512 | 152,283 | - | 417,795 |
| Transfers | <u>152,283</u> | <u>(152,283)</u> | <u>-</u> | <u>-</u> |
| Total change in fund balance | 417,795 | - | - | 417,795 |
| Fund balance at beginning of year | <u>893,068</u> | <u>-</u> | <u>-</u> | <u>893,068</u> |
| Fund balance at end of year | <u>\$ 1,310,863</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,310,863</u> |

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Fund to the
Statement of Activities

For the Year Ended June 30, 2023

| | |
|--|--------------------------|
| Net changes in fund balance - governmental fund | \$ 417,795 |
| 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 cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Capital outlay additions | 9,619 |
| Depreciation / amortization expense | (30,556) |
| Amortization of right-to-use asset is reported as an expense on the statement of activities, however, no amounts are reported in the governmental funds. The amount incurred in the current year is: | (77,635) |
| 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. | <u>77,460</u> |
| Change in net position of governmental activities | <u><u>\$ 396,683</u></u> |

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Notes to Financial Statements

For the Year Ended June 30, 2023

1. Description of School and Reporting Entity

Palm Acres Charter High School (the "School") is a charter school under City of Palms Charter High School, Inc. (the "Corporation"). The Corporation 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 Corporation currently operates two other charter schools and has approval to open another one in addition to this school. These four schools have the same Board of Governance. As such, they are related entities.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not present fairly the financial position of the Corporation as of June 30, 2023, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Lee County, Florida (the "District"). The original five-year contract between the School and the District was renewed by mutual written agreement on June 4, 2019 for fifteen years ending June 30, 2034. The School contracts with Consulting + Professional Assistance, Inc. ("CPA's") for management of day-to-day operations as described in Note 10.

At the end of the term of the charter contract, the District may choose not to renew the agreement under grounds specified in the charter contract. The District would be required to notify the School in writing at least 90 days prior to the charter contract's expiration. The District may also terminate the charter contract if good cause is shown. In the event of termination of the charter contract, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the District. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools.

The School is considered a component unit of the District 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 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.

Recently Issued Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This pronouncement establishes a definition for SBITAs and provides guidance for accounting and financial reporting for transactions that meet that definition. Under this pronouncement, a school is required to recognize an intangible right-to-use subscription asset and corresponding subscription liability, thereby enhancing the relevance and consistency of information about a school's activities. The original effective implementation date was reporting periods beginning after June 15, 2021. However, GASB Statement No. 95 postponed the implementation to be effective for reporting beginning after June 15, 2022. Currently, the School is not engaged in any software subscription services but is aware of the adoption of this Statement.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Notes to Financial Statements
(continued)

2. Summary of Significant Accounting Policies

The School has adopted guidance issued by the GASB that established fund balance classifications comprised of a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This guidance improves the usefulness of fund balance information by clarifying the definitions of existing governmental fund types and providing additional classifications of fund balance.

Basis of Presentation

The basic financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The government-wide financial statements report 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 and liabilities. 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 consist of governmental activities. 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.

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, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based on the purpose for which they are spent and the means by which spending activities are controlled.

The funds in the financial statements of this report are the General Fund, Special Revenue Fund and Capital Project Fund. The General Fund is the School's primary operating fund that accounts for all financial resources not required to be accounted for in another fund. For purposes of these statements, the General Fund, Special Revenue Fund and Capital Project Fund constitute major 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.

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses/expenditures are recognized when a liability is incurred, regardless of the timing the related cash flows take place.

The governmental funds basic financial statements are reported using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available.

When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenues are recognized at the time the expenditure is made.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from the acquisition of long-term debt are reported as other financing sources.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Notes to Financial Statements
(continued)

2. Summary of Significant Accounting Policies (continued)

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting. Expenditures were controlled at object level.

Cash and Cash Equivalents

All cash received by the School is maintained in demand deposit accounts at two institutions. Under current regulations, deposit accounts are insured by the FDIC up to \$250,000 per insured institution. At June 30, 2023 these accounts total \$725,771. Amounts deposited above the FDIC insured amount equal approximately \$225,771. The School does not anticipate any losses associated with their accounts.

Capital Assets and Depreciation

The School's capitalization threshold is \$1,000 overall. Capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation or amortization. Depreciation is computed using the straight-line method over three years, with a half-year convention, for furniture, fixtures and equipment and for computer software. Amortization of leasehold improvements is charged over the remaining life of the lease.

Net Position and Fund Balance Classifications

Government-Wide Financial Statements

Net Position is classified and reported in three components:

- Investment in capital assets, net of related debt – consists of capital asset net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted – consists of amounts with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- Unrestricted – all other amounts that do not meet the definition of “invested in capital assets, net of related debt” or “restricted”.

Fund Financial Statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance related to inventories, prepaid expenses, long-term loans and notes receivable, property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in not spendable form.
- Restricted – fund balance including amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Governance.
- Assigned – fund balance including amounts intended to be used by the School's management for specific purposes that do not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School's general fund and includes all spendable amounts not contained in the other classifications.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Notes to Financial Statements
(continued)

2. Summary of Significant Accounting Policies (continued)

Net Position and Fund Balance Classifications (continued)

This statement also clarifies the definition of the special revenue fund to denote that the special revenue may be used to account for the proceeds of specific revenue sources (other than trust for individual, private organizations or other governmental or for major capital projects) legally restricted to expenditures for specified purposes.

Order of Fund Balance Spending Policy

The policy applies expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. Non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for non-general funds to be classified as restricted fund balance. It is also possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with 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 District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education ("FDOE") for funding through the Florida Education Finance Program (FEFP). During the year, funding is adjusted to reflect the revised calculations by 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 District receives a 5% administrative fee for the first 250 students from the School, which is reflected as central services in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances— Governmental Funds.

The School is 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 assets and restricted fund balance in the accompanying Statement of Net Position and Balance Sheet – Governmental Fund, respectively. All capital outlay funds received were used for lawful capital outlay expenditures during FY23.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Notes to Financial Statements
(continued)

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The School is 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.

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

The School regularly assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is “more likely than not” that its tax positions will be sustained upon an examination by the Internal Revenue Service (“IRS”) or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. The School’s income tax returns for the past three tax years are subject to examination by tax authorities and may change upon examination. State income taxes, which may be due in certain jurisdictions, have been assessed following the same “more likely than not” measurement threshold.

Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through September 29, 2023, which is the date the financial statements were available to be issued.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Notes to Financial Statements
(continued)

3. Related Party Transactions

Palm Acres Charter High School (PACHS) is one of three schools operated by a common Board of Directors – City of Palms Charter High School, Inc. The first school, City of Palms Charter High School, originally opened as “Life Skills Center of Lee County” in Fall 2006 under a five year contract. That contract was renewed for an additional five years with the name change to “City of Palms Charter High School”. Subsequently, the School District of Lee County renewed that contract for an additional ten years ending in June 2026. In June 2019, the original PACHS contract was renewed for fifteen more years ending June 30, 2034. In June 2020, the contract for the third school, Northern Palms Charter High School, was renewed for fifteen years ending June 30, 2035. During the routine course of business, invoices and payroll which apply to all schools may be paid by a single entity. The school with surplus funds may pay expenses on behalf of other related schools. The school tracks these amounts due to or from each related entity or school separately.

During both FY23 and FY22, the Board of Directors authorized contributions from PACHS to the other two operating schools totaling \$180,000 and \$325,000, respectively. In addition, PACHS is owed \$511,859 by City of Palms Charter High School for amounts paid for on behalf of CPCHS during FY23. This amount is included in the accompanying statements of net position and balance sheet – governmental funds.

4. Fair Value Measurements

Accounting principles generally accepted in the United States (GAAP) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

- *Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- *Level 2:* Inputs other than quoted market prices included within Level 1 that are observable for an assets or liability, either directly or indirectly.
- *Level 3:* Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School’s significant financial instruments are cash, accounts receivable, accounts payable, short term borrowings, and other short term assets and liabilities. For these financial instruments (Level 1), carrying values approximate fair value because of the short maturity of these instruments.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Notes to Financial Statements
(continued)

5. Accounts Receivable

At June 30, 2023, accounts receivable of \$656,330 included related party receivables from City of Palms Charter High School of \$511,859 and grant funds receivable of \$144,471. Based on the sources of these funds, management has evaluated the collectability and an allowance for doubtful accounts is not considered necessary.

6. Capital Assets and Depreciation – For FY23, the School’s capital assets consisted of the following:

| | Beginning Balance | Additions | Ending Balance |
|-----------------------------------|----------------------|--------------------|---------------------|
| Capital assets being depreciated: | | | |
| Furniture, fixtures and equipment | \$ 134,482 | \$ - | \$ 134,482 |
| Security hardware | 32,866 | 3,645 | 36,511 |
| Computer hardware | 80,640 | 5,974 | 86,614 |
| Instructional technology | - | - | - |
| Computer software | - | - | - |
| Leasehold improvements | 63,519 | - | 63,519 |
| Total | <u>\$ 311,507</u> | <u>\$ 9,619</u> | <u>\$ 321,126</u> |
| Less accumulated depreciation: | | | |
| Furniture, fixtures and equipment | \$ (134,482) | \$ - | \$ (134,482) |
| Security hardware | (25,810) | (5,958) | (25,810) |
| Computer hardware | (69,780) | (5,338) | (69,780) |
| Instructional technology | - | - | - |
| Computer software | - | - | - |
| Leasehold improvements | (25,262) | (19,260) | (44,522) |
| Total | <u>\$ (255,334)</u> | <u>\$ (30,556)</u> | <u>\$ (285,890)</u> |
| Net Capital Assets | <u>\$ 56,173</u> | <u>\$ (20,937)</u> | <u>\$ 35,236</u> |

Depreciation expense of \$26,368 was charged to the following functions in the accompanying Statement of Activities:

| | |
|----------------------------|------------------|
| Instruction | \$ 2,304 |
| Administration | 3,034 |
| Operations - Plant | <u>25,218</u> |
| Total depreciation expense | <u>\$ 30,556</u> |

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Notes to Financial Statements
(continued)

7. Other Current Assets

Total other current assets of \$32,832 are comprised of the following:

| | | |
|----------------------------|------------------|-----|
| Security deposit | \$ 7,000 | 21% |
| Prepaid insurance | 17,365 | 53% |
| Prepaid rent | 7,500 | 23% |
| Prepaid software | 550 | 2% |
| Prepaid expenses | 417 | 1% |
| | <hr/> | |
| Total other current assets | <u>\$ 32,832</u> | |

8. Accounts Payable

Accounts payable classified as current liabilities of \$104,070 are represented by accrued salaries payable. Long-term liabilities of \$89,412 are represented by the lease note payable – See Note 9.

9. Lease Asset and Liability

On June 1, 2019, the School entered into a non- cancelable lease agreement with Iglesia de Cristo Sendero de Esperanza, Corp., a Florida not for profit corporation (“Landlord”) for use of School facilities through June 30, 2024. The School is required to pay insurance and operating costs for water, sewer, electric, telephone, trash removal and utilities. Improvements, repairs and maintenance to the Leased Premises are the responsibility of the School. The School shall not be charged for real estate taxes or exterior maintenance.

Adhering to the requirements of GASB 87, the School recorded the following lease asset, related amortization expense, and lease note liability by restating prior year financial statements. Balances related to the right-to-use lease asset and lease note payable at June 30, 2023 are as follows:

Right-to-use asset:

| | |
|------------------------------|------------------|
| Right-to-use lease asset | \$ 388,174 |
| Accumulated amortization | <u>(297,601)</u> |
| Right-to-use asset, net | <u>\$ 90,573</u> |
| | <hr/> |
| Long-term lease note payable | <u>\$ 89,412</u> |

In the current year, interest expense related to the amortization of the lease note payable of \$12,540 was included as an expenditure listed after income from operations. Current year amortization expense of \$77,635 related to the right-to-use lease asset was charged to governmental activities and included within operations of plant.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Notes to Financial Statements
(continued)

9. Lease Asset and Liability (continued)

Future minimum lease payments under this agreement, as well as future minimum payments under the lease agreements for City of Palms Charter High School and Northern Palms Charter High School are as follows:

| | City of Palms Charter HS | | | Palm Acres Charter HS | | | Northern Palms Charter HS | | |
|--------------|--------------------------|------------------|-------------------|-----------------------|------------------|-------------------|---------------------------|------------------|-------------------|
| | Principal | Interest | TOTAL | Principal | Interest | TOTAL | Principal | Interest | TOTAL |
| FY24 | \$ 78,066 | \$ 7,634 | \$ 85,700 | \$ 77,084 | \$ 12,916 | \$ 90,000 | \$ 55,758 | \$ 9,108 | \$ 64,866 |
| FY25 | 86,407 | 7,863 | 94,270 | 12,328 | 2,672 | 15,000 | 55,616 | 9,382 | 64,998 |
| FY26 | 214 | 7,641 | 7,855 | - | - | - | 5,376 | 41 | 5,417 |
| TOTAL | \$ 164,687 | \$ 23,138 | \$ 187,825 | \$ 89,412 | \$ 15,588 | \$ 105,000 | \$ 116,750 | \$ 18,531 | \$ 135,281 |

| | TOTAL | | |
|--------------|-------------------|------------------|-------------------|
| | Principal | Interest | TOTAL |
| FY24 | \$ 210,908 | \$ 29,658 | \$ 240,566 |
| FY25 | 154,351 | 19,917 | 174,268 |
| FY26 | 5,590 | 7,682 | 13,272 |
| TOTAL | \$ 370,849 | \$ 57,257 | \$ 428,106 |

10. Educational Management Providers

The Board of Directors entered into a contract with Consulting and Professional Assistance, Inc. (CPA's) to provide business and educational oversight services to the School. The Board of Directors operates the School independently. The Principal oversees academics, staff and curriculum and CPA's oversees all business operations. CPA's continuing fee is based upon fifteen percent of gross revenues. The administration fee paid to CPA's for FY23 is reflected as school administration in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund.

11. Risk Management

The School is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School is in compliance with coverage parameters dictated by the charter contract with the District.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Notes to Financial Statements
(continued)

13. Schedule of State and Local Revenue Sources

For the year ended June 30, 2023, state and local revenues were received as follows:

| | |
|-------------------------------------|----------------------------|
| Florida Education Finance Program | \$ 1,409,298 |
| Class size reduction | 281,663 |
| Discretionary millage | 263,971 |
| Capital outlay | 160,804 |
| Teacher salary increase allocation | 73,920 |
| Supplemental academic instruction | 69,501 |
| ESE Guarantee | 47,037 |
| Instructional materials | 23,607 |
| Safe schools | 18,014 |
| Reading allocation | 15,453 |
| Mental health assistance allocation | 13,543 |
| Student transportation | 9,605 |
| Funding compression / Hold harmless | 6,606 |
| Hardening grant | 2,525 |
| Prior year adjustment | <u>(1,785)</u> |
| Total state and local revenue | <u><u>\$ 2,393,762</u></u> |

The administration fee paid to the District during FY23 totaled \$90,703. The fee is reflected as central services in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

13. Contingencies

Grants

The School participates in state and federal grant programs which are governed by various rules and regulation of the grantor agencies. Cost 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 the collectability of any related receivable at year end may be impaired.

Management believes 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 may become 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.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Required Supplementary Information

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2023

| | Budgeted Amount | Actual | Variance |
|--|----------------------------|----------------------------|----------------------------|
| <i>Enrollment</i> | 297 | 297 | - |
| Revenues | | | |
| State and local sources | \$ 2,236,100 | \$ 2,236,944 | \$ 844 |
| Capital outlay | 160,000 | 160,804 | 804 |
| Total revenues | <u>2,396,100</u> | <u>2,397,748</u> | <u>1,648</u> |
| Expenditures | | | |
| Instruction | 540,037 | 666,917 | 126,880 |
| Instructional support services | 44,988 | 96,501 | 51,513 |
| Board | 25,000 | 25,088 | 88 |
| School administration | 864,383 | 946,954 | 82,571 |
| Central services | 90,800 | 90,703 | (97) |
| Pupil transportation services | 10,000 | 3,858 | (6,142) |
| Operation of plant | 290,252 | 286,468 | (3,784) |
| Maintenance of plant | 7,000 | 6,128 | (872) |
| Capital outlay | - | 9,619 | 9,619 |
| Total expenditures | <u>1,872,460</u> | <u>2,132,236</u> | <u>259,776</u> |
| Change in fund balance from operations | 523,640 | 265,512 | (258,128) |
| Transferred from special revenues fund | - | 152,283 | 152,283 |
| Total change in fund balance | 523,640 | 417,795 | (105,845) |
| Fund balance at beginning of year | <u>893,068</u> | <u>893,068</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ 1,416,708</u></u> | <u><u>\$ 1,310,863</u></u> | <u><u>\$ (105,845)</u></u> |

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Required Supplementary Information

Budgetary Comparison Schedule – Special Revenues Fund

For the Year Ended June 30, 2023

| | <u>Budgeted Amount</u> | <u>Actual</u> | <u>Variance</u> |
|--|----------------------------|----------------|------------------|
| Revenues | | | |
| Federal sources – ESSER | \$ 247,540 | \$ 247,540 | \$ - |
| Total revenues | <u>247,540</u> | <u>247,540</u> | <u>-</u> |
| Expenditures | | | |
| Instruction | 134,963 | 45,885 | (89,078) |
| Instructional support services | 100,012 | 49,207 | (50,805) |
| School administration | 2,817 | - | (2,817) |
| Operation of plant | 9,748 | 165 | (9,583) |
| Total expenditures | <u>247,540</u> | <u>95,257</u> | <u>(152,283)</u> |
| Change in fund balance from operations | - | 152,283 | 152,283 |
| Transferred to general revenue fund | - | (152,283) | (152,283) |
| Total change in fund balance | - | - | - |
| Fund balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |



**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 City of Palms Charter High School, Inc. *dba* Palms Charter High School, a Charter School and Component Unit of the District School Board of Lee 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 for the City of Palms Charter High School, Inc. *dba* Palm Acres Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida (the “School”), as of and for the year ended June 30, 2023, 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 29, 2023.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

This report is intended solely for the information and use of management of the School, the District School Board of Lee County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

McCrary and Associates, PLLC

Altamonte Springs, Florida
September 29, 2023

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**ADDITIONAL INFORMATION REQUIRED BY RULES OF
THE AUDITOR GENERAL, CHAPTER 10.850
*AUDITS of CHARTER SCHOOLS and SIMILAR ENTITIES***



**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of City of Palms Charter High School, Inc. *dba* Palm Acres Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida,

Report on the Financial Statements

We have audited the financial statements of City of Palms Charter High School, Inc. *dba* Palm Acres Charter High School (the "School") as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated September 29, 2023.

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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, if applicable, which is dated September 29, 2023, 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 are no prior audit findings to report upon.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity be disclosed in this management letter. The official title of the entity is City of Palms Charter High School, Inc. *dba* Palm Acres Charter High School.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of 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.

Financial Condition and Management (continued)

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

Transparency

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

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have 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, the Lee County School Board, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

McCrary and Associates, PLLC

Altamonte Springs, Florida
September 29, 2023

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