

Bonita Springs Charter School

A Department of Southwest Charter
Foundation, Inc.
(A Component Unit of the School
District of Lee County, Florida)

Basic Financial Statements
For the Year Ended June 30, 2022



Bonita Springs Charter School

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bonita Springs Charter School
A Department of Southwest Charter Foundation, Inc.
Bonita Springs, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Bonita Springs Charter School (the "School"), a Department of Southwest Charter Foundation, Inc. and a component unit of the School Board of Lee County, Florida, as of and for the year ended June 30, 2022, 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 the School, as of June 30, 2022, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Grants Fund 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and change in financial position of only that portion of the governmental activities and each major fund of Southwest Charter Foundation, Inc. that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of Southwest Charter Foundation, Inc. as of June 30, 2022 and the changes in its financial position or budgetary comparisons, where applicable, for the year ended June 30, 2022 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note 15 to the financial statements, in 2022, the School adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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 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 12, 2022 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 12, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS



**Bonita Springs Charter School
Management's Discussion and Analysis
June 30, 2022**

As management of Bonita Springs Charter School (the "School"), a Department of Southwest Charter Foundation, Inc. and a component unit of the School District of Lee County, Florida, we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2022 and 2021.

Management's discussion and analysis is included at the beginning of the School's basic financial statements to provide, in layman's terms, the past and current position of the School's financial condition. This summary should not be taken as a replacement for the audit which consists of the basic financial statements.

Financial Highlights

Our basic financial statements provide these insights into the results of this year's operations.

- As of June 30, 2022, the School's fund balances were \$ 1,943,694 as compared to \$ 1,814,642 as of June 30, 2021.
- The net position (deficit) of the School as of June 30, 2022 was \$ (140,980) as compared to \$ 24,646 as of June 30, 2021, as restated.

Overview of the Financial Statements

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

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

The statement of net position (deficit) presents information on all of the School's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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

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

The government-wide basic financial statements can be found on pages 9 and 10 of this report.

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

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

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

The School maintains several individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The General Fund, Grants Fund, Capital Project Fund and Club and Activities Fund are considered to be the School's major funds.

The School adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and Grants Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 11 through 16 of this report.

Notes to Basic Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17 through 27 of this report.

Government-Wide Financial Analysis

The School has been in operation for twenty years; therefore, comparative government-wide data is presented. The School's net position (deficit) was \$ (140,980) at June 30, 2022, which represents net investment in capital assets (deficit) of \$ (502,867), restricted net position of \$ 380,705 and unrestricted net position (deficit) of \$ (18,818). The School's net position was \$ 24,646 at June 30, 2021, as restated, which represented net investment in capital assets (deficit) of \$ (258,484), restricted net position of \$ 196,116 and unrestricted net position of \$ 87,014.

**Bonita Springs Charter School
Management's Discussion and Analysis
June 30, 2022**

Our analysis in the table below focuses on the net position of the School's governmental activities:

Bonita Springs Charter School Net Position (Deficit)		
	June 30, 2022	June 30, 2021, as Restated
Assets:		
Current and other assets	\$ 1,300,230	\$ 1,511,626
Noncurrent assets	21,632,680	22,366,077
Total assets	22,932,910	23,877,703
Liabilities:		
Current liabilities	1,510,029	1,691,470
Noncurrent liabilities	21,563,861	22,161,587
Total liabilities	23,073,890	23,853,057
Net Position (Deficit):		
Net investment in capital assets (deficit)	(502,867)	(258,484)
Restricted	380,705	196,116
Unrestricted (deficit)	(18,818)	87,014
Total net position (deficit)	\$ (140,980)	\$ 24,646

Current and other assets decreased due to reductions in the School's cash position and due from management company. Capital assets, net of depreciation decreased mainly due to purchase of new assets of \$ 286,353 offset by current year depreciation expense of \$ 1,020,683. Current liabilities decreased due to reductions in salaries and wages payables. Noncurrent liabilities decreased due to payments made on the School's lease.

Governmental Activities: The results of this year's operations for the School as a whole are reported in the statement of activities on page 10. The following table provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2022 and 2021:

Bonita Springs Charter School Change in Net Position (Deficit)		
	June 30, 2022	June 30, 2021, as Restated
Revenues:		
General revenues	\$ 9,780,397	\$ 9,931,409
Program revenues	2,712,803	1,765,378
Total revenues	12,493,200	11,696,787
Functions/Program Expenses:		
Instruction	5,648,557	5,203,086
Instructional support services	3,691,914	3,584,211
Non-instructional services	3,318,355	2,793,596
Total governmental activities	12,658,826	11,580,893
Change in net position (deficit)	\$ (165,626)	\$ 115,894

**Bonita Springs Charter School
Management’s Discussion and Analysis
June 30, 2022**

General revenues decreased due to decreases in state source revenues compared to the previous year. Program revenues increased compared to last year due to higher revenues in before and aftercare and increases in grant funding. Total expenses increased due to increases in instruction, operation of plant and transportation services.

Governmental Fund Expenditures: In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

Functions/Programs	2022		2021	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 5,362,076	44%	\$ 4,904,680	37%
Debt service	1,771,614	14%	1,817,420	14%
Plant operations and maintenance	1,172,487	9%	1,266,430	10%
School administration	926,630	7%	914,438	7%
Food services	569,356	5%	359,591	3%
All other functions/programs	<u>2,582,301</u>	<u>21%</u>	<u>3,802,863</u>	<u>29%</u>
Total governmental expenditures	\$ <u>12,384,464</u>	<u>100%</u>	\$ <u>13,065,422</u>	<u>100%</u>

Capital Assets and Debt Administration

Capital assets: At June 30, 2022, the School had capital assets of \$ 20,185,726, net of accumulated depreciation and amortization, invested in intangible right to use land , improvements other than building and computer equipment, computers, furniture, fixtures and equipment and improvements other than building as compared to \$ 20,920,056 at June 30, 2021, as restated. A detailed schedule is on page 23 in the notes to the basic financial statements.

Debt: At June 30, 2022, the School had outstanding debt of \$ 22,135,547 as compared to \$ 22,612,437 as of June 30, 2021, as restated. Additional information on the School’s debt can be found in Notes 8, 9 and 10 on pages 24 and 25.

General Fund Budgetary Highlights

Local sources revenues were favorable to budget due to an increase in CSUSA contribution. Aftercare participation was lower than the budget, bringing total revenues to \$ 10,356,017. Total expenditures were higher than budgeted mainly due to increases in instructional and non-instructional support services. Overall, the School ended the year with a change in fund balance that was unfavorable to budget by approximately \$ 156,498.

Economic Factors and Next Year's Budget

In fiscal year 2022, the State of Florida continued to include a teacher salary increase allocation (TSIA) of \$ 550 million. The capital outlay funding pool ended up at \$ 183.2 million. In addition to the TSIA, teachers also received a compensation increase to align overall salaries with district levels.

For fiscal year 2023, the teacher salary increase allocation will be \$ 800 million and will continue to be part of FEFP funding. A 2% merit increase for all staff was included in the budget. All other expenditures are budgeted in alignment with enrollment changes and the School’s strategic objectives.

Requests for Information

If you have questions about this report or need additional information, please contact Yeimy Guzman, Controller - School Accounting; Charter Schools USA, 800 Corporate Drive, Suite 700, Fort Lauderdale, Florida 33334.

BASIC FINANCIAL STATEMENTS

Bonita Springs Charter School
Statement of Net Position (Deficit)
June 30, 2022

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 873,105
Other receivables	9,736
Due from other governments	85,230
Due from related party	10,701
Prepaid items	89,449
Deposits	12,571
Interest receivable	965
Restricted investments	<u>218,473</u>
Total current assets	<u>1,300,230</u>
Noncurrent Assets:	
Restricted investments	1,446,954
Capital assets (depreciable and amortizable), net of accumulated depreciation and amortization	<u>20,185,726</u>
Total noncurrent assets	<u>21,632,680</u>
Total assets	<u>22,932,910</u>
Current Liabilities:	
Accounts payable and accrued liabilities	12,420
Salaries and wages payable	592,541
Due to related party	161,875
Due to management company	36,654
Compensated absences	39,080
Accrued interest payable	82,746
Leases	259,713
Bonds payable	<u>325,000</u>
Total current liabilities	<u>1,510,029</u>
Noncurrent Liabilities:	
Compensated absences	13,027
Leases	3,089,994
Bonds payable	<u>18,460,840</u>
Total noncurrent liabilities	<u>21,563,861</u>
Total liabilities	<u>23,073,890</u>
Commitments (Note 11)	-
Net Position (Deficit):	
Net investment in capital assets (deficit)	(502,867)
Restricted for repair and replacement reserves	217,312
Restricted for extracurricular activities	163,393
Unrestricted (deficit)	<u>(18,818)</u>
Total net position (deficit)	<u>\$ (140,980)</u>

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

**Bonita Springs Charter School
Statement of Activities
For the Year Ended June 30, 2022**

	<u>Expenditures</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenue (Expense) and Change in Net Position</u>
Functions/Programs:					
Instruction	\$ 5,648,557	\$ -	\$ 314,941	\$ -	\$ (5,333,616)
Student support services	664,863	-	-	-	(664,863)
Instructional media services	-	-	-	-	-
Instruction and curriculum development services	8,750	-	-	-	(8,750)
Instructional staff training services	80,065	-	34,245	-	(45,820)
Instruction related technology	110,814	-	1,802	-	(109,012)
Board	90,526	-	-	-	(90,526)
School administration	926,630	-	-	-	(926,630)
Fiscal services	14,003	-	-	-	(14,003)
Food services	569,356	143	539,762	-	(29,451)
Central services	168,970	-	-	-	(168,970)
Transportation services	273,130	-	278,066	-	4,936
Operation of plant	1,547,496	-	47,957	-	(1,499,539)
Maintenance of plant	353,296	-	-	-	(353,296)
Community services	375,619	233,542	-	-	(142,077)
Extracurricular activities	509,208	-	576,087	-	66,879
Interest on long-term debt	1,317,543	-	-	686,258	(631,285)
Total governmental activities	\$ <u>12,658,826</u>	\$ <u>233,685</u>	\$ <u>1,792,860</u>	\$ <u>686,258</u>	<u>(9,946,023)</u>
General revenues:					
Grants and entitlements					9,423,988
Interest income					3,354
Contributions					350,000
Miscellaneous					3,055
Total general revenues					<u>9,780,397</u>
Change in net position					(165,626)
Net position, July 1, 2021, as restated (Note 15)					<u>24,646</u>
Net position (deficit), June 30, 2022					\$ <u><u>(140,980)</u></u>

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

Bonita Springs Charter School
Balance Sheet - Governmental Funds
June 30, 2022

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Outlay Fund</u>	<u>Club and Activities Fund</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 696,647	\$ -	\$ -	\$ 176,458	\$ 873,105
Other receivables	9,736	-	-	-	9,736
Due from other governments	-	85,230	-	-	85,230
Due from related party	10,701	-	-	-	10,701
Due from other funds	98,295	-	-	-	98,295
Prepaid items	89,449	-	-	-	89,449
Deposits	12,571	-	-	-	12,571
Interest receivable	965	-	-	-	965
Restricted investments	<u>1,665,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,665,427</u>
Total assets	<u>\$ 2,583,791</u>	<u>\$ 85,230</u>	<u>\$ -</u>	<u>\$ 176,458</u>	<u>\$ 2,845,479</u>
Liabilities:					
Accounts payable and accrued liabilities	\$ 12,420	\$ -	\$ -	\$ -	\$ 12,420
Salaries and wages payables	592,541	-	-	-	592,541
Due to related party	161,875	-	-	-	161,875
Due to management company	36,654	-	-	-	36,654
Due to other funds	<u>-</u>	<u>85,230</u>	<u>-</u>	<u>13,065</u>	<u>98,295</u>
Total liabilities	<u>803,490</u>	<u>85,230</u>	<u>-</u>	<u>13,065</u>	<u>901,785</u>
Total liabilities and fund balances	<u>\$ 2,583,791</u>	<u>\$ 85,230</u>	<u>\$ -</u>	<u>\$ 176,458</u>	<u>\$ 2,845,479</u>
Commitments (Note 11)					
	-	-	-	-	-
Fund Balances:					
Nonspendable:					
Prepaid items	89,449	-	-	-	89,449
Deposits	12,571	-	-	-	12,571
Restricted for debt service	1,448,112	-	-	-	1,448,112
Restricted for repair and replacement reserves	217,312	-	-	-	217,312
Restricted for extracurricular activities	-	-	-	163,393	163,393
Unassigned	<u>12,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,857</u>
Total fund balances	<u>1,780,301</u>	<u>-</u>	<u>-</u>	<u>163,393</u>	<u>1,943,694</u>

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

Bonita Springs Charter School
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position (Deficit)
June 30, 2022

Total Fund Balances - Governmental Funds \$ 1,943,694

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 in the governmental funds.

Cost of capital assets	\$	26,897,116	
Less accumulated depreciation and amortization		<u>(6,711,390)</u>	20,185,726

Liabilities not payable with current available resources are not reported as fund liabilities in the governmental fund statements. All liabilities both current and long-term, are reported in the government-wide statements.

Accrued interest payable	\$	(82,746)	
Leases		(3,349,707)	
Compensated absences		(52,107)	
Bonds payable		<u>(18,785,840)</u>	<u>(22,270,400)</u>

Net Position of Governmental Activities \$ (140,980)

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

Bonita Springs Charter School
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2022

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Outlay Fund</u>	<u>Club and Activities Fund</u>	<u>Total</u>
Revenues:					
Federal through state	\$ -	\$ 895,154	\$ -	\$ -	\$ 895,154
State sources	9,722,848	-	686,258	-	10,409,106
Local sources	399,627	-	-	576,087	975,714
Aftercare	233,542	-	-	-	233,542
	<u>10,356,017</u>	<u>895,154</u>	<u>686,258</u>	<u>576,087</u>	<u>12,513,516</u>
Total revenues					
Expenditures:					
Instruction	5,067,286	294,790	-	-	5,362,076
Student support services	664,863	-	-	-	664,863
Instructional media services	-	-	-	-	-
Instruction and curriculum development services	8,750	-	-	-	8,750
Instructional staff training services	45,820	34,245	-	-	80,065
Instruction related technology	109,012	1,802	-	-	110,814
Board	90,526	-	-	-	90,526
School administration	926,630	-	-	-	926,630
Fiscal services	14,003	-	-	-	14,003
Food services	29,594	539,762	-	-	569,356
Central services	168,931	39	-	-	168,970
Transportation services	273,130	-	-	-	273,130
Operation of plant	814,991	4,200	-	-	819,191
Maintenance of plant	353,296	-	-	-	353,296
Community services	375,619	-	-	-	375,619
Extracurricular activities	-	-	-	509,208	509,208
Capital outlay	286,353	-	-	-	286,353
Debt service:					
Principal	477,474	-	-	-	477,474
Interest on long-term debt	607,882	-	686,258	-	1,294,140
	<u>10,314,160</u>	<u>874,838</u>	<u>686,258</u>	<u>509,208</u>	<u>12,384,464</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>41,857</u>	<u>20,316</u>	<u>-</u>	<u>66,879</u>	<u>129,052</u>
Other Financing Sources (Uses):					
Transfer out	-	(20,316)	-	-	(20,316)
Transfer in	20,316	-	-	-	20,316
	<u>20,316</u>	<u>(20,316)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)					
Net change in fund balances	62,173	-	-	66,879	129,052
Fund Balances, July 1, 2021	<u>1,718,128</u>	<u>-</u>	<u>-</u>	<u>96,514</u>	<u>1,814,642</u>
Fund Balances, June 30, 2022	<u>\$ 1,780,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,393</u>	<u>\$ 1,943,694</u>

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

**Bonita Springs Charter School
 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, 2022**

Net Change in Fund Balances - Governmental Funds \$ 129,052

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

Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of those assets are depreciated and amortized over their estimated useful lives.

Expenditures for capital assets	\$ 286,353	
Less current year provision for depreciation and amortization	<u>(1,020,683)</u>	(734,330)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 477,474

Revenues that are earned but not received within the availability period are recognized in the statement of activities when earned and subsequently in the governmental fund financial statements when they become available. (20,316)

Certain items reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences	\$ 5,895	
Change in accrued interest payable	(22,817)	
Provision for amortization of bond discount	<u>(584)</u>	<u>(17,506)</u>

Change in Net Position of Governmental Activities \$ (165,626)

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

Bonita Springs Charter School
Statement of Revenues and Expenditures -
Budget and Actual - General Fund
For the Year Ended June 30, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
State sources	\$ 9,800,838	\$ 9,722,848	\$ (77,990)
Local sources	163,517	399,627	236,110
Aftercare	275,938	233,542	(42,396)
	<u>10,240,293</u>	<u>10,356,017</u>	<u>115,724</u>
Expenditures:			
Instruction	4,716,167	5,067,286	(351,119)
Student support services	100,855	664,863	(564,008)
Instruction and curriculum development services	-	8,750	(8,750)
Instructional staff training services	21,609	45,820	(24,211)
Instruction related technology	193,825	109,012	84,813
Board	77,366	90,526	(13,160)
School administration	840,704	926,630	(85,926)
Fiscal services	320,901	14,003	306,898
Food services	78,937	29,594	49,343
Central services	105,336	168,931	(63,595)
Transportation services	822,499	273,130	549,369
Operation of plant	999,802	814,991	184,811
Maintenance of plant	564,472	353,296	211,176
Community services	75,110	375,619	(300,509)
Capital outlay	125,880	286,353	(160,473)
Debt service:			
Principal	485,464	477,474	7,990
Interest on long-term debt	492,695	607,882	(115,187)
	<u>10,021,622</u>	<u>10,314,160</u>	<u>(292,538)</u>
Excess (deficiency) of revenues over expenditures	<u>218,671</u>	<u>41,857</u>	<u>(176,814)</u>
Other Financing Sources (Uses):			
Transfer in	<u>-</u>	<u>20,316</u>	<u>20,316</u>
Net change in fund balance	<u>\$ 218,671</u>	<u>\$ 62,173</u>	<u>\$ (156,498)</u>

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

**Bonita Springs Charter School
Statement of Revenues and Expenditures -
Budget and Actual - Grants Fund
For the Year Ended June 30, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Federal sources:			
National School Lunch Program	\$ 191,909	\$ 560,078	\$ 368,169
Title II	11,075	19,795	8,720
Title IV	26,679	23,407	(3,272)
GEER	-	962	962.00
ESSER I	719,185	290,912	(428,273)
	<u>948,848</u>	<u>895,154</u>	<u>(53,694)</u>
Total revenues	<u>948,848</u>	<u>895,154</u>	<u>(53,694)</u>
Expenditures:			
Instruction	151,976	294,790	(142,814)
Student support services	358,086	-	358,086
Instructional staff training services	33,009	34,245	(1,236)
Instruction related technology	-	1,802	(1,802)
Food services	191,909	539,762	(347,853)
Operation of plant	-	4,200	(4,200)
Central services	-	39	(39)
Capital outlay	213,868	-	213,868
	<u>948,848</u>	<u>874,838</u>	<u>74,010</u>
Total expenditures	<u>948,848</u>	<u>874,838</u>	<u>74,010</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>20,316</u>	<u>20,316</u>
Other Financing Sources (Uses):			
Transfer out	<u>-</u>	<u>(20,316)</u>	<u>(20,316)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Note 1 - Organization and Operations

The Southwest Charter Foundation, Inc. (the "Foundation"), formerly known as the Lee Charter Foundation, Inc., was organized in September 2001 as a Florida nonprofit corporation. Bonita Springs Charter School (the "School") is a Department of the Foundation and is established as a charter school for students from kindergarten to eighth grade in Lee County. There were 1,297 students enrolled for the 2021/2022 school year.

The financial statements of Bonita Springs Charter School, a Department of Southwest Charter Foundation, Inc. and a component unit of the School District of Lee County, Florida, 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 Southwest Charter Foundation, Inc. as of June 30, 2022, 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.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring School District, the Lee County School District. The current charter is effective until June 2023. At the end of the term of the charter, the School District may choose not to renew the charter under grounds specified in the charter in which case the School District is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the School District may also terminate the charter if good cause is shown. Bonita Springs Charter School is considered a component unit of the School District of Lee County, Florida.

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

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

Basis of presentation: Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide - Not-for-Profit Organizations and provisions of Section 228.056, Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide financial statements: Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Note 2 - Summary of Significant Accounting Policies (continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund financial statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

General Fund - This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

Grants Fund - This special revenue fund is used to account for federal grants and certain state grants that are legally restricted to expenditures for particular purposes.

Capital Project Fund - This fund is used to account for state and local capital outlay funding that is legally restricted to expenditures for particular purposes.

Club and Activities Fund - This special revenue fund is used to administer funds raised and earned by the various clubs and activities that are part of the School.

Basis of accounting: Basis of accounting refers to when revenues and expenditures, or expenses, 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 prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within one hundred twenty days of the end of the current period. Under the modified accrual basis of accounting, expenditures are generally recognized 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. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and cash equivalents: The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk (Note 3).

Prepaid items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Revenue recognition: Student funding is provided by the State of Florida through the School District. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements. This funding is received on a prorate basis over a twelve-month period and is adjusted for changes in full-time equivalent (FTE) student population.

Income taxes: The School is a department of a nonprofit corporation. Revenue of the School is derived primarily from other governmental entities. The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these basic financial statements.

Capital assets: Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with an initial cost of \$ 750 and useful life of over one year. Donated property and equipment are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building	40 years
Furniture, fixtures and equipment	3-5 years
Computer equipment	3 years
Improvements other than buildings	5 years

The School has recorded a right to use lease asset as a result of implementing GASB 87. The right to use asset is initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use asset is amortized on a straight-line basis over the life of the related lease.

Deferred outflows/inflows of resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

Note 2 - Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Unearned revenue: Unearned revenue arises when the School receives resources before it has a legal claim to them.

Compensated absences: The School's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Payments for compensated absences are generally paid out of the General Fund.

Net position: Net position is classified in three categories. The general meaning of each is as follows:

- Net investment in capital assets (deficit) - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balance of borrowings used for the acquisition, construction or improvement of those assets.
- Restricted - consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - indicates that portion of net position that is available to fund future operations.

Fund balance: The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

- Nonspendable - this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted - this classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.

Note 2 - Summary of Significant Accounting Policies (continued)

- Committed - this classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision-making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.
- Assigned - this classification includes amounts that the Board of Directors intends to use for a specific purpose, but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.
- Unassigned - this classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Funds Balance Sheet on page 10.

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

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

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

Date of Management Review: The School has evaluated subsequent events through September 12, 2022, which is the date that the financial statements were available to be issued.

Note 3 - Cash and Cash Equivalents

At June 30, 2022, the carrying amount of the deposits and cash on hand totaled \$ 873,105 with a bank balance of \$ 886,437.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as "qualified public depositories" as defined by Chapter 280 of the Florida Statutes. This Statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the Treasurer is defined by the Statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool, as the School has identified itself as a public entity.

Note 4 - Interfund Receivables and Payables and Interfund Transfers

The composition of interfund balances as of June 30, 2022 is as follows:

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Grants Fund	\$ 85,230
General Fund	Club and Activities Fund	<u>13,065</u>
		<u>\$ 98,295</u>

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund transfers for the year ended June 30, 2022 is as follows:

	<u>Transfers In</u> <u>General</u> <u>Fund</u>
Transfers Out:	
Grants Fund	\$ <u>20,316</u>

During the year, transfers were used to move prior year unavailable revenue that was received in fiscal year 2022 to the General Fund.

Note 5 - Due To/From Related Parties

The School is a Department of Southwest Charter Foundation, Inc. (“SCF”). The due to/from balances represent amounts that are due to/from SCF and other schools that share common board membership and are departments of SCF.

Note 6 - Restricted Investments

SCF previously issued bonds to finance the acquisition of facilities and equipment for two of their schools, including Bonita Springs Charter School (Note 9). The restricted investments of the School are held by the Trustee and are governed by the Bond Indenture. At June 30, 2022, the School has \$ 1,665,427 invested in a money market fund that is stated at amortized cost which approximates fair value.

Credit Risk

Generally, *credit risk* is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. The exposure to this type of risk is limited because the money market fund is rated AAA-mf by Moody’s.

Bonita Springs Charter School
Notes to Basic Financial Statements
June 30, 2022

Note 6 - Restricted Investments (continued)

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The exposure to declines in fair values is limited because the weighted average maturity of the money market fund is sixteen days.

Note 7 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2022 are as follows:

	Balance at July 1, 2021, as Restated	Additions	Deletions	Balance at June 30, 2022
Capital assets being depreciated/ amortized:				
Building	\$ 18,237,000	\$ -	\$ -	\$ 18,237,000
Improvements other than building	2,263,918	150,909	-	2,414,827
Furniture, fixtures and equipment	1,416,289	47,759	-	1,464,048
Computer equipment	2,241,652	87,685	-	2,329,337
Intangible right to use:				
Land	<u>2,451,904</u>	<u>-</u>	<u>-</u>	<u>2,451,904</u>
Total capital assets being depreciated/amortized	<u>26,610,763</u>	<u>286,353</u>	<u>-</u>	<u>26,897,116</u>
Accumulated depreciation/ amortization:				
Building	1,891,244	455,925	-	2,347,169
Improvements other than building	654,495	213,769	-	868,264
Furniture, fixtures and equipment	1,260,935	74,190	-	1,335,125
Computer equipment	1,825,422	218,188	-	2,043,610
Intangible right to use:				
Land	<u>58,611</u>	<u>58,611</u>	<u>-</u>	<u>117,222</u>
Total accumulated depreciation/ amortization	<u>5,690,707</u>	<u>1,020,683</u>	<u>-</u>	<u>6,711,390</u>
Net capital assets being depreciated/amortized	<u>\$ 20,920,056</u>	<u>\$ (734,330)</u>	<u>\$ -</u>	<u>\$ 20,185,726</u>

Provision for depreciation and amortization was charged to governmental activities as follows:

Instruction	\$ 292,378
Operation of plant	<u>728,305</u>
Total	<u>\$ 1,020,683</u>

Bonita Springs Charter School
Notes to Basic Financial Statements
June 30, 2022

Note 8 - Leases

Concurrent with the Series 2017 Bond issuance (Note 9), Red Apple Development, LLC and subsidiaries (“RAD”) entered into two land lease agreements with SCF. The land which is owned by RAD is leased by SCF on behalf of the schools under a 45-year lease. The lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. In addition to rent, SCF shall pay to RAD the total cost of ad valorem taxes, assessments and levies imposed upon the premises.

The following is a schedule of the School’s future base rent payments as of June 30, 2022:

Year Ending June 30,	Principal	Interest	Total
2023	\$ -	\$ 121,858	\$ 121,858
2024	-	124,295	124,295
2025	-	126,781	126,781
2026	-	129,317	129,317
2027	-	131,903	131,903
2028-2032	-	700,158	700,158
2033-2037	-	773,031	773,031
2038-2042	-	853,488	853,488
2043-2047	206,218	736,102	942,320
2048-2052	453,285	587,112	1,040,397
2053-2057	728,673	420,008	1,148,681
2058-2062	1,063,728	159,813	1,223,541
	<u>\$ 2,451,904</u>	<u>\$ 4,863,866</u>	<u>\$ 7,315,770</u>

Previously, Bonita Springs Charter School entered into two leases for School HVAC equipment and computer equipment. The leases require monthly payments of \$ 24,962 through June 2023 and then \$ 17,780 through September 2026. Amortization of the leased HVAC Equipment and computer equipment is included with depreciation expense.

The following is a schedule of the future minimum lease payments as of June 30, 2022:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 259,713	\$ 39,827	\$ 299,540
2024	185,292	28,063	213,355
2025	194,900	18,455	213,355
2026	205,006	8,348	213,354
2027	52,892	447	53,339
	<u>\$ 897,803</u>	<u>\$ 95,140</u>	<u>\$ 992,943</u>

Bonita Springs Charter School
Notes to Basic Financial Statements
June 30, 2022

Note 9 - Bonds Payable

Previously, the Florida Development Finance Corporation (the "Corporation") issued \$ 40,485,000 in Tax Exempt Educational Facilities Revenue Bonds, Series 2017A and \$ 365,000 in Taxable Educational Facilities Revenue Bonds, Series 2017B pursuant to an Indenture of Trust between the Corporation and a Trustee to make a loan to Southwest Charter Foundation, Inc. ("SCF"), a division of which the School exists to finance the acquisition of the facilities and equipment of two charter schools existing under SCF. The Series 2017A Bonds bear interest at 5.125% through June 2027, then at 6.000% through June 2037 and finally at 6.125% through June 2047. The Series 2017B Bonds bear interest at 6.375% through June 2020. Principal and interest will be paid semi-annually on June 15 and December 15. In order to secure the payment of the principal and interest on the Bonds, the Corporation assigned all of its rights and interest in the loan agreement to the Trustee. The Bonds are payable from and secured by a lien upon and pledge of payments to be received by the Trustee.

The School's share of the annual debt service requirements to maturity for the Series 2017 Bond is as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 325,000	\$ 1,112,781	\$ 1,437,781
2024	340,000	1,096,081	1,436,081
2025	360,000	1,078,502	1,438,502
2026	380,000	1,059,919	1,439,919
2027	395,000	1,040,520	1,435,520
2028-2032	2,365,000	4,826,552	7,191,552
2033-2037	3,190,000	4,017,170	7,207,170
2038-2042	4,295,000	2,918,115	7,213,115
2043-2047	7,150,450	1,395,881	8,546,331
	<u>\$ 18,800,450</u>	<u>\$ 18,545,521</u>	<u>\$ 37,345,971</u>

Note 10 - Long-Term Liabilities

Changes in the School's long-term liabilities for fiscal year ended June 30, 2022, are as follows:

	Balance at July 1, 2021, as Restated	Additions	Retirements	Amortization	Balance at June 30, 2022	Amount Due Within One Year
Series 2017 Educational Facilities Revenue Bonds, net of unamortized discount of \$ 14,610	\$ 19,095,256	\$ -	\$ 310,000	\$ 584	\$ 18,785,840	\$ 325,000
Lease - computer equipment	83,555	-	-	-	83,555	83,555
Lease - land	2,451,904	-	-	-	2,451,904	-
Lease - improvements other than building	981,722	-	167,474	-	814,248	176,158
Compensated absences	58,002	161,479	167,374	-	52,107	39,080
	<u>\$ 22,670,439</u>	<u>\$ 161,479</u>	<u>\$ 644,848</u>	<u>\$ 584</u>	<u>\$ 22,187,654</u>	<u>\$ 623,793</u>

Note 11 - Commitments

Management agreement: The School has a formal agreement with Charter Schools USA, Inc. (“CSUSA”) to manage, staff, and operate the School. The agreement has an initial term which expires in August 2023. It will automatically renew for five-year periods unless terminated by either party. The agreement states that CSUSA shall be entitled to cost reimbursements and management fees (the “fee”) for its services, subject to availability of funds. The fee is subordinated to all bond payment requirements (Note 9). The fee ranges from \$ 1,749,699 for fiscal year 2023 to \$ 2,759,099 for fiscal year 2046 as defined in the agreement or the budgeted amount approved by the Board of Directors based on enrollment and School performance. There were no cost reimbursements and management fees for the fiscal year ended June 30, 2022 and CSUSA contributed \$ 350,000 to the School.

The financial statements reflect a due to management company which totaled \$ 36,654 at June 30, 2022.

Post-retirement benefits: The School does not provide post-retirement benefits to retired employees.

Note 12 - Employee Benefit Plan

During the year ended June 30, 2022, the School offered all of its full-time employees who had attained 21 years of age, a retirement plan (the “Plan”) under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of his/her annual gross compensation, subject to certain limitations. The Plan provides for a discretionary employer matching contribution of the participant’s annual elective deferral to the Plan. As determined annually by the School’s management, the School may also make a discretionary profit-sharing contribution, which is allocated among the participants based on a pro rata formula. Participants are immediately vested in their own contributions and earnings on those contributions. Participants become vested in School contributions and earnings on School contributions according to the following schedule:

<u>Years of Service</u>	<u>Vesting Percentage</u>
1	25%
2	50%
3	75%
4	100%

Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to reduce any employer contribution. For the Plan year ending December 31, 2021, the School had forfeitures of \$ 2,744. For the year ended June 30, 2022, the School contributed a matching amount of \$ 26,497.

Note 13 - Capital Appropriations Funding

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes those funds are allocated among eligible charter schools. The funds for the School’s allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring district. The School’s CSCO Award totaled \$ 686,258 for the 2021/2022 school years which has been recognized as revenue in the accompanying basic financial statements. If the CSCO funds are used to acquire tangible property assets, the School board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School board. The School has elected to use these funds to pay a portion of the lease expense on the facility.

Note 14 - Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies including, but not limited to, general liability and errors and omissions insurance. There were no claims in excess of insurance coverage limits during the past three years.

As disclosed in Note 11, CSUSA employs all of the employees of the School. As a result, the School is not exposed to medical or workers’ compensation claims for these individuals. In addition, CSUSA carries all required insurance including, but not limited to, general liability and errors and omissions insurance.

Note 15 - Change in Accounting Principles and Restatement

For 2022, the School implemented Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the School’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financing of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the School’s 2022 financial statements and had the following effect on the beginning net position of the governmental activities.

Net position, June 30, 2021	\$	95,381
Adjustments:		
Net book value leased asset		2,393,293
Lease liability		(2,451,904)
Accrued interest payable		(12,124)
		<u> </u>
Restated net position, June 30, 2021	\$	<u><u>24,646</u></u>

OTHER INDEPENDENT AUDITOR'S REPORTS



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
Bonita Springs Charter School
A Department of Southwest Charter Foundation, Inc.
Bonita Springs, 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 Bonita Springs Charter School (the "School"), a Department of Southwest Charter Foundation, Inc. and a component unit of the School Board of Lee County, Florida, as of and for the year ended June 30, 2022, 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 12, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

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

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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 12, 2022

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Bonita Springs Charter School
A Department of Southwest Charter Foundation, Inc.
Bonita Springs, Florida

Report on the Financial Statements

We have audited the basic financial statements of Bonita Springs Charter School (the "School"), a Department of Southwest Charter Foundation, Inc. and a component unit of the School District of Lee County, Florida, as of and for the year ended June 30, 2022, and have issued our report thereon dated September 12, 2022.

Auditor's Responsibility

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 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 the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 12, 2022, 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 recommendations made in the preceding audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education are Bonita Springs Charter School and 364102.

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Financial Condition and Management

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not 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.

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 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, 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 12, 2022