

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

NORTHERN PALMS 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, 2022**



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Table of Contents

Managements Discussion and Analysis	2
Independent Auditor’s Report.....	7
Basic Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Funds.....	11
Reconciliation of Governmental Funds Balance Sheet To the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to the Basic Financial Statements	15
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	25
Report of Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26
Additional Information Required by Rules of the Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities</i> :	
Management Letter	29

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* NORTHERN PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022

The discussion and analysis of City of Palms Charter High School, Inc. *dba* Northern Palms Charter High School's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2022. 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, 2022 represents the seventh year of operations for the School. Operations of the School are under direct control of the governing board. The School is related to City of Palms Charter High School and Palm Acres Charter High School through a common board of governance (see Note 1). 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.

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.

During FY20, the School applied for and received proceeds from a loan originated from Synovus Bank and the Small Business Administration (SBA) for \$110,715. During FY22, the loan was totally forgiven. Proceeds are recorded as revenue after income from operations.

At the close of the fiscal year, assets of the School exceeded liabilities by \$343,998 (net position) – an increase of \$33,270 from the prior year when assets exceeded liabilities by \$310,728. Forty-nine percent (49%) of current assets and eighty percent (80%) of current liabilities are represented by intercompany receivables and payables. Average enrollment decreased by 31% - from 108 students in FY21 to 75 students in FY22.

Using this Financial Report

This report consists of six parts: 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; and 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* NORTHERN PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022

(continued)

Government-Wide Financial Statements (continued)

Net Position

The table below provides a comparative summary of net position for FY21 and FY20.

	2022	<i>Restated</i> 2021	Increase (Decrease)
Assets			
Current assets	\$ 562,699	\$ 535,482	\$ 27,217
Right-to-use assets, net	168,807	223,555	(54,748)
Capital assets, net	13,833	6,556	7,277
Total assets	\$ 745,339	\$ 765,593	\$ (20,254)
Liabilities			
Current liabilities	\$ 229,842	\$ 116,938	\$ 112,904
Note payable	-	112,667	(112,667)
Long-term liabilities	171,499	225,260	(53,761)
Total liabilities	\$ 401,341	\$ 454,865	\$ (53,524)
Net assets			
Invested in capital assets	\$ 13,833	\$ 6,556	\$ 7,277
Unrestricted	330,165	304,172	25,993
Total net position	\$ 343,998	\$ 310,728	\$ 33,270

The School's net right-to-use assets are represented 100% by the amortized property lease asset with the corresponding long-term liabilities represented 100% by the lease note payable at year-end. (See Note 9) Capital assets of \$13,833 are represented primarily fully-depreciated furniture, fixtures and equipment, and computer software, technology; and partially depreciated computer hardware, security hardware and leasehold improvements. (See Note 6) Current liabilities are comprised of accrued payroll of \$42,765 (18%), related party transactions of \$182,837 (80%) and other accrued expenses of \$4,240 (2%). (See Note 8)

Change in Net Position – Statement of Activities

The table on the following page shows the comparative summary of changes in net position, revenues and expenses for FY22 and FY21.

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. Average enrollment decreased by 31% - from 108 students in FY21 to 75 students in FY22. Revenues from the Florida Education Finance Program (FEFP) decreased by 28% reflecting the decrease in enrollment. Expenses decreased by net amount of \$57,232 from the prior year. Instructional costs decreased by approximately \$68,547 due to changes in personnel. All other expenditures increased by approximately \$11,315.

For FY22 and FY21, the Board of Directors authorized contributions of \$275,000 and \$182,000, respectively, from Palm Acres Charter High School to Northern Palms Charter High School.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* NORTHERN PALMS CHARTER HIGH SCHOOL
 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022
 (continued)

Government-Wide Analysis of the School (continued)
Change in Net Position (continued)

	2022	<i>Restated</i> 2021	Increase (Decrease)
Revenues			
Federal sources	\$ 8,137	\$ 22,592	\$ (14,455)
State and local sources	534,566	757,461	(222,895)
Capital outlay	39,980	57,409	(17,429)
Contribution	275,000	182,000	93,000
Other revenues	30	22	8
Total revenues	<u>857,713</u>	<u>1,019,484</u>	<u>(161,771)</u>
Expenses			
Instruction	247,388	315,935	(68,547)
Instructional support services	67,352	55,576	11,776
Board	14,989	14,216	773
School administration	369,155	364,661	4,494
Central services	26,548	37,157	(10,609)
Pupil transportation services	1,625	1,115	510
Operation of plant	192,616	190,730	1,886
Maintenance of plant	6,900	4,415	2,485
Total expenses	<u>926,573</u>	<u>983,805</u>	<u>(57,232)</u>
Change in net position from operations	(68,860)	35,679	(104,539)
Right-to-use lease interest	(8,585)	(7,641)	(944)
SBA PPP Loan Forgiveness	110,715	-	110,715
Total change in net position	<u>\$ 33,270</u>	<u>\$ 28,038</u>	<u>\$ 5,232</u>

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. The School's governmental fund reported an ending unassigned fund balance \$298,054 and \$291,438 as of June 30, 2022 and 2021 respectively.

General Fund Budgetary Highlights

The School prepared an annual budget based on the expected funded enrollment figure for the school year. The original governmental fund budget anticipated enrollment of 125 students. Actual figures for the current fiscal year resulted in average enrollment of 75 students. Budgeted revenues related to enrollment were adjusted to reflect the lower figures. Current year actual expenditures of \$933,474 were under budget by \$1,526. Current year revenues of \$574,576 fell under budget by \$365,424 due to lower enrollment but were offset by the contribution from Palm Acres Charter High School so the net difference from budget was \$90,424.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* NORTHERN PALMS CHARTER HIGH SCHOOL
 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022
 (continued)

Government-Wide Analysis of the School (continued)
Capital Assets

The table below shows comparative balances of net capital assets for FY22 and FY21. The capitalization threshold for classification of long-term assets is \$1,000.

	Capital Assets (Net of Depreciation)		
	2022	2021	Increase (Decrease)
Furniture, fixtures and equipment	\$ -	\$ -	\$ -
Security hardware	2,778	6,556	(3,778)
Computer hardware	7,085	-	7,085
Instructional technology	-	-	-
Computer software	-	-	-
Leasehold improvements	3,970	-	3,970
Total	\$ 13,833	\$ 6,556	\$ 7,277

For more information on capital assets, see Note 6 in the Notes to the Basic Financial Statements.

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 \$168,807 and a lease liability of \$171,499.

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 seventh year of operations for the School. In June 2020, the School District of Lee County renewed the original 5-year contract for another fifteen (15) years, expiring June 30, 2035. NPCHS is the third 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 management services including financial management and reporting, equipment, technology, operational support services, facilities, and personnel management services. CPA's provides services for a percentage share of the per pupil 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.

Next Year's Budget

Amounts available for appropriation in the general fund for FY22 are approximately \$1,075,000 -- an increase of approximately \$500,454 over FY22 actual amounts. The increase is due to anticipated increases in enrollment from 75 to 140 students. Actual enrollment at the end of FY22 was over 100 students. Budgeted expenditures are approximately \$1,060,000. If the preceding estimates are realized, the general fund will increase by approximately \$15,000 by the end of FY23.

In response to the order by the Governor of Florida and in response to the coronavirus (COVID-19) pandemic, in March 2020, most schools and local businesses were required to close operations temporarily or indefinitely in order to attempt to slow the spread of the virus. At this time, the School does not know the overall financial effects on operations from the COVID-19 pandemic.

During FY21, the School was the recipient of grant dollars related to the COVID-19 pandemic. There is nothing taken into account that would indicate that such funding will continue into the future.



Independent Auditor's Report

To the Board of Directors of City of Palms Charter High School, Inc. *dba* Northern Palms 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, each major fund, and the aggregate remaining fund information of City of Palms Charter High School, Inc. *dba* Northern Palms 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, 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, each major fund, and the aggregate remaining fund information of City of Palms Charter High School, Inc. *dba* Northern Palms 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, 2022, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the School implemented Government Accounting Standards Board (GASB) Statement No. 87 – Leases, which is a change in accounting principle that addresses accounting and financial reporting for leases. This new standard affects the comparability of amounts reported for the 2020-21 fiscal year with amounts reported for 2021-22 fiscal year. Our opinions are 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 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 October 28, 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, 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

McCrary and Associates, PLLC

Altamonte Springs, Florida
October 28, 2022

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CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

NORTHERN PALMS CHARTER HIGH SCHOOL

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

Statement of Net Position

June 30, 2022

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 244,891
Accounts receivable	283,005
Other assets	34,803
Right -to-use assets	
Right-to-use lease asset	273,741
Less: accumulated amortization	<u>(104,934)</u>
Total right-to-use assets, net	<u>168,807</u>
Capital assets	
Furniture, fixtures and equipment	18,156
Security hardware	20,722
Computer hardware	83,957
Instructional technology	27,500
Computer software	8,862
Leasehold improvements	4,810
Less: accumulated depreciation	<u>(150,174)</u>
Total capital assets, net	<u>13,833</u>
Total assets	<u>\$ 745,339</u>
Liabilities	
Accrued payroll payable	\$ 42,765
Accounts payable and accrued expenses	187,077
Long-term liabilities:	
Lease note payable within one year	54,750
Lease note payable after one year	<u>116,749</u>
Total liabilities	<u>\$ 401,341</u>
Net Position	
Invested in capital assets, net of related debt	\$ 13,833
Unrestricted	<u>330,165</u>
Total net position	<u>\$ 343,998</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

NORTHERN PALMS 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, 2022

	Expenses	Operating Grants	Capital Grants	Net (Expenses) Revenues and Changes in Net Position
				Total Governmental Activities
Governmental activities:				
Instruction	\$ 247,388	\$ 7,636	\$ -	\$ (239,752)
Instructional support services	67,352	-	-	(67,352)
Board	14,989	-	-	(14,989)
School administration	369,155	-	-	(369,155)
Central services	26,548	-	-	(26,548)
Transportation	1,625	-	-	(1,625)
Operation of plant	192,616	338	39,980	(152,298)
Maintenance of plant	6,900	-	-	(6,900)
Total primary government	<u>\$ 926,573</u>	<u>\$ 7,974</u>	<u>\$ 39,980</u>	<u>(878,619)</u>
			Federal sources	163
			State and local sources	534,566
			Contribution	275,000
			Other revenues	30
			Total general revenues	<u>809,759</u>
			Change in net position from operations	(68,860)
			Lease note payable - interest	(8,585)
			SBA PPP Loan Forgiveness	<u>110,715</u>
			Total change in net position	33,270
			Net position at beginning of year, restated	<u>310,728</u>
			Net position at end of year	<u>\$ 343,998</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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NORTHERN PALMS CHARTER HIGH SCHOOL

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

Balance Sheet – Governmental Fund

June 30, 2022

	<u>Total Funds</u>
Assets	
Cash and cash equivalents	\$ 244,891
Accounts receivable	283,005
Other assets	<u>34,803</u>
Total assets	<u><u>\$ 562,699</u></u>
Liabilities	
Accrued payroll payable	\$ 42,765
Accounts payable and accrued expenses	<u>187,077</u>
Total liabilities	<u>229,842</u>
Fund Balance	
Nonspendable:	
Restricted	34,803
Spendable:	
Unassigned	<u>298,054</u>
Total fund balance	<u>332,857</u>
Total liabilities and fund balance	<u><u>\$ 562,699</u></u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
dba
NORTHERN PALMS 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, 2022

Total fund balance - governmental fund \$ 332,857

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	164,006
Accumulated depreciation	(150,173)
Right-to-use lease asset	273,741
Accumulated amortization	(104,934)

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 consist of the lease note payable. (171,499)

Total net position - governmental activities \$ 343,998

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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NORTHERN PALMS CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, FloridaStatement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds

For the Year Ended June 30, 2022

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Funds
Revenues				
Federal sources	\$ -	\$ 8,137	\$ -	\$ 8,137
State and local sources	534,566	-	-	534,566
Capital outlay	-	-	39,980	39,980
Contribution	275,000	-	-	275,000
Other revenues	30	-	-	30
Total revenues	<u>809,596</u>	<u>8,137</u>	<u>39,980</u>	<u>857,713</u>
Expenditures				
Instruction	239,155	7,636	-	246,791
Instructional support services	67,352	-	-	67,352
Board	14,989	-	-	14,989
School administration	368,333	-	-	368,333
Central services	26,548	-	-	26,548
Transportation	1,625	-	-	1,625
Operation of plant	155,278	338	39,980	195,596
Maintenance of plant	6,900	-	-	6,900
Capital outlay	13,314	-	-	13,314
Total expenditures	<u>893,494</u>	<u>7,974</u>	<u>39,980</u>	<u>941,448</u>
Change in fund balance from operations	(83,898)	163	-	(83,735)
Transfers	163	(163)	-	-
SBA PPP loan forgiveness	<u>110,715</u>	<u>-</u>	<u>-</u>	<u>110,715</u>
Total change in fund balance	26,980	-	-	26,980
Fund balance at beginning of year	<u>305,877</u>	<u>-</u>	<u>-</u>	<u>305,877</u>
Fund balance at end of year	<u>\$ 332,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,857</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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NORTHERN PALMS 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, 2022

Net changes in fund balance - governmental fund \$ 26,980

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	13,314
Depreciation / amortization expense	(6,037)

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: (54,748)

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. 53,761

Change in net position of governmental activities \$ 33,270

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

NORTHERN PALMS 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, 2022

1. Description of School and Reporting Entity

City of Palms Charter High School, Inc. (the "Corporation") *dba* Northern Palms Charter High School (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, F.S., the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The Corporation currently operates two charter schools in addition to this school. All three schools have the same Board of Governance. As such, they are related entities. See Note 3.

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, 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.

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 charter contract, ending June 30, 2020, was renewed by mutual written agreement between the School and the District for a fifteen-year period ending June 30, 2035. The School contracts with Consulting and Professional Assistance, Inc. ("CPA's") for management of day-to-day operations as described in Note 12.

At the end of the 15-year renewal term of the charter contract, the District may choose not to renew the agreement under grounds specified in the charter contract. In this case, the District is required to notify the School in writing at least 90 days prior to the charter contract's expiration. During the term of the charter, the District may also terminate the charter contract for cause. In that event, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, reverts 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 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 January 2017, the GASB issued Statement No. 84, Fiduciary Activities, which provides additional clarity and improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Fiduciary activities include the cumulative effect of any changes adopted to conform to the provisions of this guidance would be reported as a restatement of beginning net position and fund balance. The School did not identify fiduciary activities that would materially affect financial statements for this reporting period. The effective implementation date is June 30, 2020.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

NORTHERN PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

1. Description of School and Reporting Entity - continued

Recently Issued Accounting Pronouncements - continued

In June 2017, the GASB issued Statement No. 87, Leases. This pronouncement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this pronouncement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about a school's leasing activities. The cumulative effect of any changes implemented to conform to this pronouncement would be reported as a restatement of beginning net position and fund balance. The original effective implementation date was June 30, 2021. However, GASB Statement No. 95 postponed the implementation of this statement to be effective for reporting periods beginning after June 15, 2021. Management's adoption of this Statement resulted in a restatement of the prior year's financial statements

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of A Construction Period*. This Statement would now require interest costs incurred before the end of the construction period to be recognized as an expense in the period in which the cost is incurred under the economic resource measurement focus. The effective implementation date is June 30, 2021. Currently, the School is not engaged in any construction projects but is aware of the effect of the adoption of this Statement for future projects.

2. Summary of Significant Accounting Policies

The School has adopted guidance issued by the GASB that established fund balance classifications that comprise 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 of the School 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 the Capital Projects 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, these funds constitute major funds.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

NORTHERN PALMS 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) – 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 they are collectable within 60 days after the end of the current fiscal year. 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. The PPP funds were recognized using the debt method.

Budgetary Basis of Accounting

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

Cash and Cash Equivalents

All cash received by the School is maintained in demand deposit accounts and is recorded as such for purposes of presentation on the Statement of Net Position and the Balance Sheet – Governmental Funds. Under current regulations, deposit accounts are insured by the FDIC up to \$250,000 per insured institution. The School currently holds its deposit accounts at two institutions. At June 30, 2022, these accounts total \$244,891. All deposits are insured by the FDIC. No losses are anticipated with associated accounts.

Capital Assets and Depreciation

The School's capitalization threshold is \$1,000. Capital assets are recorded on the 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, computer hardware and software, and security equipment. 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”.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

NORTHERN PALMS 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)

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.

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 School’s policy is to apply 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. First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). 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, F.S., the District reports the number of full-time equivalent students 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 which is reflected as central services in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

NORTHERN PALMS 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)

Revenue Sources (continued)

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 FY22.

Income Taxes

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in these 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. State income taxes, which may be due in certain jurisdictions, have been assessed following the same "more likely than not" measurement threshold. The School's income tax returns for the past three tax years are subject to examination by tax authorities and may change upon examination.

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 October 28, 2022, which is the date the financial statements were available to be issued.

3. Related Party Transactions

Northern Palms Charter High School (NPCHS) 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, formerly known as "Life Skills Center of Lee County" opened in Fall 2006 under a five year contract. That contract was renewed by the School District of Lee County for an additional ten years ending in June 2026. The second school, Palm Acres Charter High School, opened in August 2014 in Lehigh Acres and was renewed in June 2019 for an additional 15 years ending in June 2035.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
dba
NORTHERN PALMS 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 (continued)

During the routine course of business, invoices and payroll which apply to all schools may be paid by a single entity. Also, the school with surplus funds may pay expenses on behalf of other related schools. The schools track these amounts due to or from each related entity or school separately. As of June 30, 2022, Northern Palms Charter High School was owed \$275,000 from Palm Acres Charter High School and the School owed \$20,577 to Palm Acres Charter High School and \$162,260 to City of Palms Charter High School. These amounts are included in the accompanying statements of net position and balance sheet – governmental funds. For FY22 and FY21, the Board of Directors passed resolutions authorizing contributions in the amounts of \$275,000 and \$182,000, respectively, to Northern Palms Charter High School from Palm Acres Charter High School.

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.

5. Accounts Receivable and Other Current Assets

At June 30, 2022, accounts receivable of \$283,005 are represented by the contribution authorized by the Board of Directors from Palm Acres Charter High School of \$275,000 and other miscellaneous receivables \$8,005. Based on the sources of these funds, management has evaluated their collectability and has determined that an allowance for doubtful accounts is not considered necessary.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

NORTHERN PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

6. Capital Assets and Depreciation

For the year ended June 30, 2022, the School's capital assets consisted of the following:

	Beginning Balance	Additions	(Disposals)	Ending Balance
Capital assets being depreciated:				
Furniture, fixtures and equipment	\$ 18,156	\$ -	\$ -	\$ 18,156
Security hardware	29,914	-	(9,193)	20,721
Computer hardware	80,398	8,504	(4,945)	83,957
Instructional technology	27,500	-	-	27,500
Computer software	8,862	-	-	8,862
Leasehold improvements	-	4,810	-	4,810
Total	<u>\$ 164,830</u>	<u>\$ 13,314</u>	<u>\$ (14,138)</u>	<u>\$ 164,006</u>
Less accumulated depreciation:				
Furniture, fixtures and equipment	\$ (18,156)	\$ -	\$ -	\$ (18,156)
Security hardware	(23,358)	(3,778)	9,193	(17,943)
Computer hardware	(80,398)	(1,419)	4,945	(76,872)
Instructional technology	(27,500)	-	-	(27,500)
Computer software	(8,862)	-	-	(8,862)
Leasehold improvements	-	(840)	-	(840)
Total	<u>\$ (158,274)</u>	<u>\$ (6,037)</u>	<u>\$ 14,138</u>	<u>\$ (150,173)</u>
Net capital assets	<u>\$ 6,556</u>	<u>\$ 7,277</u>	<u>\$ -</u>	<u>\$ 13,833</u>

Depreciation expense of \$6,037 was allocated and charged as follows in accompanying Statement of Activities:

Instructional	\$ 597
Administrative	822
Operation of Plant	<u>4,618</u>
Total depreciation expense	<u>\$ 6,037</u>

7. Other Current Assets - Total other current assets of \$34,803 consist of the following:

Prepaid Insurance	\$ 19,274	55%
Prepaid Rent	5,204	15%
Prepaid Expenses + Other	4,917	14%
Prepaid Software	4,168	12%
Security Deposit	<u>1,240</u>	<u>4%</u>
Total	<u>\$ 34,803</u>	<u>100%</u>

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

NORTHERN PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

8. Accounts Payable

Total accounts payable of \$229,842 are represented by the, accrued salaries of \$42,765 (19%), accounts payable to related parties (City of Palms Charter High School and Palm Acres Charter High School) of \$182,837 (80%), and miscellaneous general accounts payable of \$4,240 (1%).

9. Lease Asset and Liability

On July 14, 2020, the School entered into a non-cancelable lease agreement with CS Property Holdings, LLC. Corp., a Florida limited liability company, ("Landlord") for use of School facilities through July 31, 2025. 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, 2022 are as follows:

Right-to-use asset:		
Right-to-use lease asset	\$	273,741
Accumulated amortization		(103,934)
Right-to-use asset, net	\$	<u>168,807</u>
Long-term lease note payable	\$	<u>171,499</u>

In the current year, interest expense related to the amortization of the lease note payable of \$8,585 was included as debt service. Current year amortization expense of \$54,748 related to the right-to-use lease asset was charged to governmental activities and included within operations of plant.

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 Palm Acres 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
FY23	\$ 78,718	\$ 7,412	\$ 86,130	\$ 77,460	\$ 12,540	\$ 90,000	\$ 54,750	\$ 8,843	\$ 63,593
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	\$ 243,405	\$ 30,550	\$ 273,955	\$ 166,872	\$ 28,128	\$ 195,000	\$ 171,500	\$ 27,374	\$ 198,874

	TOTAL		
	Principal	Interest	TOTAL
FY23	\$ 210,928	\$ 28,795	\$ 239,723
FY24	210,908	29,658	240,566
FY25	154,351	19,917	174,268
FY26	5,590	7,682	13,272
TOTAL	\$ 581,777	\$ 86,052	\$ 667,829

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

NORTHERN PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

10. SBA PPP Note Payable

During FY20, the School applied for and received proceeds from a loan originated from Synovus Bank and the Small Business Administration (SBA) for \$112,667 that could be forgiven if the proceeds are spent on eligible expenses. This loan was created through the CARES Act. . At June 30, 2021, the entire principal and interest balance was considered to be a short-term liability. During FY22, the note and related interest was forgiven in its entirety.

11 Schedule of State and Local Revenue Sources

For the year ended June 30, 2022, state and local revenues were received as follows:

Florida Education Finance Program	\$ 342,934
Class size reduction	72,573
Discretionary millage	53,723
Capital outlay revenue	39,980
Supplemental academic instruction	17,756
Teacher salary increase allocation	13,901
ESE guaranteed allocation	10,926
Instructional materials	5,979
Safe schools	3,643
Reading allocation	3,040
Mental health assistance allocation	2,986
Hardening grant	2,422
Additional student reserve allocation	1,992
Student transportation	1,418
Prior year revenue adjustment	1,177
Digital classrooms allocation	96
Total State and Local Revenue	<u>\$ 574,546</u>

The administration fee paid to the District during the year ended June 30, 2022 totaled \$26,548. 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.

12. 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 Principal oversees academics and CPA's oversees all other operations. CPA's continuing fee is based upon fifteen percent of gross revenues received from all sources. The fee is reflected as school administration in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund.

13. 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

NORTHERN PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

14. 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

NORTHERN PALMS 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, 2022

	Budgeted Amounts	Actual	Variance
<i>Enrollment</i>	<u>125</u>	<u>75</u>	<u>-65</u>
Revenues			
Florida Education Finance Program	\$ 865,000	\$ 534,566	\$ (330,434)
Capital Outlay	70,000	39,980	(30,020)
Contribution	-	275,000	275,000
Other revenues	<u>5,000</u>	<u>30</u>	<u>(4,970)</u>
Total revenues	<u>940,000</u>	<u>849,576</u>	<u>(90,424)</u>
Expenditures			
Instruction	312,000	239,155	(72,845)
Instructional support services	50,000	67,352	17,352
Board	12,000	14,989	2,989
School administration	332,750	368,333	35,583
Central services	43,250	26,548	(16,702)
Pupil transportation services	1,000	1,625	625
Operation of plant	180,000	195,258	15,258
Maintenance of plant	4,000	6,900	2,900
Capital outlay	<u>-</u>	<u>13,314</u>	<u>13,314</u>
Total expenditures	<u>935,000</u>	<u>933,474</u>	<u>(1,526)</u>
Change in fund balance from operations	5,000	(83,898)	(88,898)
Transfer from special revenue fund	-	163	163
SBA PPP loan forgiveness	<u>-</u>	<u>110,715</u>	<u>110,715</u>
Total change in fund balance	5,000	26,980	21,980
Fund balance at beginning of year, restated	<u>305,877</u>	<u>305,877</u>	<u>-</u>
Fund balance at end of year	<u>\$ 310,877</u>	<u>\$ 332,857</u>	<u>\$ 21,980</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* Northern 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* Northern Palms 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, 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 October 28, 2022.

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.

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
October 28, 2022

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



McCRAZY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

**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* Northern Palms 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* Northern Palms Charter High School (the "School") as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated October 28, 2022.

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 October 28, 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 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* Northern Palms 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
October 28, 2022

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