

**BABCOCK NEIGHBORHOOD
SCHOOL, INC.**

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

INDEPENDENT AUDITOR'S REPORT and
FEDERAL SINGLE AUDIT

for the fiscal year ended JUNE 30, 2023

King & Walker, CPAs, PL

Certified Public Accountants

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BABCOCK NEIGHBORHOOD SCHOOL, INC.

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

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Independent Auditor's Report

To the Board of Directors Babcock Neighborhood School, Inc.,
a Charter School and Component Unit of the
District School Board of Charlotte County, 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 Babcock Neighborhood School, Inc. ("School"), a charter school and component unit of the District School Board of Charlotte County, Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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.

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison Schedule, and Note to Required Supplementary 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 any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of Federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report October 13, 2023, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

King & Walker, CPAs

October 13, 2023
Tampa, Florida

BABCOCK NEIGHBORHOOD SCHOOL, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Babcock Neighborhood School, Inc., ("School") provides an overview of the School's financial activities for the fiscal year ended June 30, 2023.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements, as listed in the table of contents.

In previous years, Babcock Neighborhood School, Inc. operated Babcock Neighborhood School and Babcock High School. On June 6, 2022, the District School Board of Charlotte County approved the consolidation of the two schools effective July 1, 2022.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2023, the School's revenues exceeded expenses as shown on the School's statement of activities by \$153,760.
- As shown on the statement of net assets, the School reported a total net position of \$1,361,008.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net position and the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

BABCOCK NEIGHBORHOOD SCHOOL, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

Fund Financial Statements

Fund financial statements are one of the components of the 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates the following funds; a General Fund, a Special Revenue Fund, a Capital Projects Fund, and a Debt Service Fund. For reporting purposes, all funds are considered major funds.

The School adopts annual budgets for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund and Major Special Revenue Fund to demonstrate compliance with the budgets.

Notes to 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.

BABCOCK NEIGHBORHOOD SCHOOL, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the School's current year and prior year net position (for comparison purposes, the 2021-22 fiscal year amounts reflect the combined amounts of Babcock Neighborhood School and Babcock High School):

	Net Position, End of Year		
	Governmental Activities		Increase (Decrease)
	6-30-22	6-30-23	
ASSETS			
Current and Other Assets	\$ 5,901,334	\$ 4,152,572	\$ (1,748,762)
Capital Assets, Net	25,143,742	29,335,510	4,191,768
Total Assets	31,045,076	33,488,082	2,443,006
LIABILITIES			
Current Liabilities	1,900,026	1,449,222	(450,804)
Noncurrent Liabilities	27,937,802	30,677,852	2,740,050
Total Liabilities	29,837,828	32,127,074	2,289,246
NET POSITION			
Net Investment in Capital Assets	(2,144,060)	(692,342)	1,451,718
Restricted for Debt Service	3,106,998	2,706,136	(400,862)
Unrestricted	244,310	(652,786)	(897,096)
Total Net Position	\$ 1,207,248	\$ 1,361,008	\$ 153,760

Current assets consist primarily of cash and cash equivalents for the School's bank accounts and bonded debt. Capital assets consist of land, buildings and fixed equipment, leased asset – building, and furniture, fixtures and equipment. Long-Term liabilities consist primarily of outstanding bonded debt for the construction of the School's educational facility. The School reported a total net position balance of \$1,361,008.

BABCOCK NEIGHBORHOOD SCHOOL, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The following is a summary of the School's change in net position for the current year and prior year (for comparison purposes, the 2021-22 fiscal year amounts reflect the combined amounts of Babcock Neighborhood School and Babcock High School):

	Operating Results for the Year		
	Governmental Activities		
	6-30-22	6-30-23	Increase (Decrease)
Revenues:			
Federal Through State and Local	\$ 875,974	\$ 1,138,207	\$ 262,233
State	4,599,742	6,579,520	1,979,778
Local and Other	3,289,817	4,134,403	844,586
Land Transactions	(4,495)	-	4,495
Total Revenues	<u>8,761,038</u>	<u>11,852,130</u>	<u>3,091,092</u>
Expenses:			
Instruction	3,565,872	5,361,750	1,795,878
Student Support Services	141,679	193,602	51,923
Instruction & Curriculum Development	123,068	167,719	44,651
Instructional Staff Training	50,812	95,688	44,876
Instructional Related Technology	154,474	214,211	59,737
Board	223,020	187,627	(35,393)
General Administration	51,199	46,063	(5,136)
School Administration	629,848	954,607	324,759
Facilities Acquisition & Construction	2,920	49,277	46,357
Fiscal Services	117,000	117,148	148
Food Services	197,699	335,563	137,864
Operation of Plant	909,939	1,258,298	348,359
Maintenance of Plant	23,987	18,066	(5,921)
Community Service	295,426	360,588	65,162
Debt Service - Interest	1,938,114	1,607,108	(331,006)
Unallocated Depreciation/Amortization	433,897	731,055	297,158
Total Expenses	<u>8,858,954</u>	<u>11,698,370</u>	<u>2,839,416</u>
Increase/(Decrease) in Net Position	<u>\$ (97,916)</u>	<u>\$ 153,760</u>	<u>\$ 251,676</u>

The largest revenue continuous source for the School is the State of Florida (56 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.

The largest concentrations of expenses were for Instruction-related functions and debt service which represents 52 and 14 percent, respectively, of total expenditures.

BABCOCK NEIGHBORHOOD SCHOOL, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$3,175,101.

BUDGETARY HIGHLIGHTS

The General Fund and Special Revenue Fund budgets for the fiscal year ended June 30, 2023, were developed based on the School's anticipated revenues and expenditures, the expected student population, and Federal grant programs for the school year. Over the course of the year, management monitors and may revise the budgets. Refer to the Budgetary Comparison Schedule for additional information.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2023, amounts to \$29,335,510 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and fixed equipment, leased asset – building, and furniture, fixtures, and equipment. Additional information regarding the School's capital assets can be found in the notes to the financial statements.

LONG-TERM LIABILITIES

The School received a \$650,000 loan from the Babcock Ranch Foundation, Inc., in January 2017 to fund startup costs of the School. The remaining term for principal and interest payments on this loan is through April 1, 2036.

On March 18, 2018, the School issued revenue bonds in the amount of \$12,730,000 for the construction of a new educational facility. The remaining balance of these bonds, net of the unamortized bond discount, is \$12,562,044 at June 30, 2023.

On August 13, 2021, the School issued additional revenue bonds in the amount of \$14,950,000 for the construction of the high school facility. The remaining balance of these bonds, net of the unamortized bond discount, is \$14,736,963 at June 30, 2023.

The School entered into a long-term lease for a fieldhouse/emergency shelter. The lease has been reported as long-term debt under guidance from GASB 87 in the original amount of \$2,888,847. The long-term lease liability ends June 2034.

Additional information regarding the School's long-term liabilities can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Babcock Neighborhood School, Inc., 42850 Crescent Loop, Babcock Ranch, Florida 33982.

BABCOCK NEIGHBORHOOD SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF CHARLOTTE COUNTY, FLORIDA

STATEMENT OF NET POSITION

June 30, 2023

	<u>Government Activities</u>
ASSETS	
Cash & Cash Equivalents	\$ 4,009,293
Due From Other Agencies	102,291
Prepaid Items & Deposits	40,988
Capital Assets:	
Land	2,395,505
Buildings & Fixed Equipment, Net	23,509,872
Leased Asset - Building, Net	2,728,845
Furniture, Fixtures, and Equipment, Net	701,288
Total Capital Assets	<u>29,335,510</u>
TOTAL ASSETS	<u>33,488,082</u>
LIABILITIES	
Salaries and Benefits Payable	432,973
Accounts Payable	193,277
Deferred Revenue	351,221
Accrued Interest on Bonds	471,751
Noncurrent Liabilities:	
Due Within One Year:	
Long-Term Lease Payable	171,745
Due After One Year:	
Note Payable	650,000
Long-Term Lease Payable	2,557,100
Bonds Payable	27,299,007
TOTAL LIABILITIES	<u>32,127,074</u>
NET POSITION	
Net Investment in Capital Assets	(692,342)
Restricted for Debt Service	2,706,136
Unrestricted	(652,786)
TOTAL NET POSITION	<u><u>\$ 1,361,008</u></u>

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

BABCOCK NEIGHBORHOOD SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF CHARLOTTE COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

		Program Revenues			Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 5,361,750	\$ -	\$ 624,954	\$ -	\$ (4,736,796)
Student Support Services	193,602	-	109,643	-	(83,959)
Instruction & Curriculum Development	167,719	-	19,469	-	(148,250)
Instructional Staff Training	95,688	-	81,996	-	(13,692)
Instructional Related Technology	214,211	-	10,483	-	(203,728)
Board	187,627	-	-	-	(187,627)
General Administration	46,063	-	-	-	(46,063)
School Administration	954,607	-	-	-	(954,607)
Facilities Acquisition & Construction	49,277	-	-	-	(49,277)
Fiscal Services	117,148	-	-	-	(117,148)
Food Services	335,563	157,148	151,202	-	(27,213)
Operation of Plant	1,258,298	-	-	-	(1,258,298)
Maintenance of Plant	18,066	-	-	-	(18,066)
Community Service	360,588	101,781	-	-	(258,807)
Debt Service - Interest	1,607,108	-	-	425,890	(1,181,218)
Unallocated Depreciation/Amortization	731,055	-	-	-	(731,055)
Total Governmental Activities	\$ 11,698,370	\$ 258,929	\$ 997,747	\$ 425,890	(10,015,804)
General Revenue					
State Sources					6,153,630
Grants and Contributions not restricted to specific program					140,460
Local and Other					3,875,474
Total General Revenues					10,169,564
Change in Net Position					153,760
Net Position - July 1, 2022					1,207,248
Net Position - June 30, 2023					\$ 1,361,008

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

BABCOCK NEIGHBORHOOD SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF CHARLOTTE COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash & Cash Equivalents	\$ 1,303,157	\$ -	\$ -	\$ 2,706,136	\$ 4,009,293
Due From Other Agencies	-	52,868	49,423	-	102,291
Prepaid Items & Deposits	40,988	-	-	-	40,988
Due from Other Funds	92,953	-	-	-	92,953
Total Assets	\$ 1,437,098	\$ 52,868	\$ 49,423	\$ 2,706,136	\$ 4,245,525
LIABILITIES					
Salaries and Benefits Payable	\$ 432,973	\$ -	\$ -	\$ -	\$ 432,973
Accounts Payable	183,939	9,338	-	-	193,277
Deferred Revenue	351,221	-	-	-	351,221
Due to Other Funds	-	43,530	49,423	-	92,953
Total Liabilities	968,133	52,868	49,423	-	1,070,424
FUND BALANCES					
Nonspendable	40,988	-	-	-	40,988
Restricted	-	-	-	2,706,136	2,706,136
Unassigned	427,977	-	-	-	427,977
Total Fund Balances	468,965	-	-	2,706,136	3,175,101
Total Liabilities and Fund Balances	\$ 1,437,098	\$ 52,868	\$ 49,423	\$ 2,706,136	\$ 4,245,525

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

BABCOCK NEIGHBORHOOD SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF CHARLOTTE COUNTY, FLORIDA

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

June 30, 2023

Total Fund Balances - Governmental Funds		\$ 3,175,101
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets, net of accumulated depreciation/amortization, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		29,335,510
Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.		
Accrued Interest on Bond	(471,751)	
Note Payable	(650,000)	
Bonds Payable	<u>(27,299,007)</u>	<u>(31,149,603)</u>
Total Net Position - Governmental Activities		<u>\$ 1,361,008</u>

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

BABCOCK NEIGHBORHOOD SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF CHARLOTTE COUNTY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Intergovernmental:					
Federal Through State and Local State	\$ -	\$ 1,138,207	\$ -	\$ -	\$ 1,138,207
	6,153,630	-	425,890	-	6,579,520
Local and Other	3,880,467	157,148	-	96,788	4,134,403
Total Revenues	10,034,097	1,295,355	425,890	96,788	11,852,130
Expenditures					
Current - Education:					
Instruction	4,736,796	624,954	-	-	5,361,750
Student Support Services	83,959	109,643	-	-	193,602
Instruction & Curriculum Development	148,250	19,469	-	-	167,719
Instructional Staff Training	13,692	81,996	-	-	95,688
Instructional Related Technology	203,728	10,483	-	-	214,211
Board	187,627	-	-	-	187,627
General Administration	46,063	-	-	-	46,063
School Administration	954,607	-	-	-	954,607
Facilities Acquisition & Construction	49,277	-	-	-	49,277
Fiscal Services	117,148	-	-	-	117,148
Food Services	-	335,563	-	-	335,563
Operation of Plant	1,258,298	-	-	-	1,258,298
Maintenance of Plant	18,066	-	-	-	18,066
Community Service	360,588	-	-	-	360,588
Fixed Capital Outlay:					
Facilities Acquisition & Construction	3,992,253	-	652,209	-	4,644,462
Other Capital Outlay	59,406	218,955	-	-	278,361
Debt Service:					
Principal	160,002	-	-	-	160,002
Interest	126,228	-	-	1,466,784	1,593,012
Total Expenditures	12,515,988	1,401,063	652,209	1,466,784	16,036,044
Excess/(Deficiency) of Revenues					
Over Expenditures	(2,481,891)	(105,708)	(226,319)	(1,369,996)	(4,183,914)
Other Financing Sources (Uses):					
Inception of Long-Term Lease	2,888,847	-	-	-	2,888,847
Transfers In	-	105,708	-	969,134	1,074,842
Transfers Out	(648,952)	-	(425,890)	-	(1,074,842)
Total Other Financing Sources (Uses)	2,239,895	105,708	(425,890)	969,134	2,888,847
Net Change in Fund Balances	(241,996)	-	(652,209)	(400,862)	(1,295,067)
Fund Balances, July 1, 2022	710,961	-	652,209	3,106,998	4,470,168
Fund Balances, June 30, 2023	\$ 468,965	\$ -	\$ -	\$ 2,706,136	\$ 3,175,101

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

BABCOCK NEIGHBORHOOD SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF CHARLOTTE COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

Net Change in Fund Balances - Governmental Funds \$ (1,295,067)

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.

Capital Outlays	4,922,823	
Depreciation/Amortization Expense	<u>(731,055)</u>	4,191,768

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

160,002

Long-term debt proceeds are reported as other financing sources in the Governmental Funds and as long-term liabilities in the Statement of Net Position.

(2,888,847)

Expenses in the statement of activities that do not require the use of current financial resources are not reported in governmental funds:

Accrued Interest on Bonds		(2,891)
Amortization of bond discount		<u>(11,205)</u>

Change in Net Position - Governmental Activities \$ 153,760

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

BABCOCK NEIGHBORHOOD SCHOOL, INC.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ Reporting Entity

The Babcock Neighborhood School, Inc., (“School”) is a component unit of the District School Board of Charlotte County, Florida. The School is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

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 Charlotte County, Florida, (“District”). On June 6, 2022, the District School Board of Charlotte County approved the consolidation of Babcock Neighborhood School and Babcock High School effective July 1, 2022. The current charter is effective until June 30, 2034, and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

➤ Basis of Presentation

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

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with a service, program, or department and are thereby clearly identifiable to a particular function.

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 – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue Fund – to account for Federal grant programs and food service operations.
- Debt Service Fund – to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs.
- Capital Projects Fund – to account for all resources for the acquisition of capital assets and related items purchased by the School with bond proceeds and capital outlay funds.

➤ **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. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be

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available when they are 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 30 days of 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, revenue is recognized at the time the expenditure is made. 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. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term liquid investments with original maturities of three months or less at the date of acquisition.

Cash deposits consist of demand deposits held by local financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

➤ **Investments**

The School had not adopted a written investment policy. Therefore, pursuant to Florida Statutes, the School is authorized to invest in the Florida PRIME investment pool, administered by the State Board of Administration (SBA); Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

The School's investments are set aside to make debt service payments, maintain sinking or reserve funds, and to purchase or construct capital assets and are classified as restricted. These investments are reported as Restricted for Debt Service on the Statement of Net Position and restricted in the Debt Service Fund in the Balance Sheet – Governmental Funds.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general school purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Fixed Equipment	39 years
Furniture, Fixtures and Equipment	5 years
Leased Asset - Building	12 years

➤ **Noncurrent Liabilities**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Capital improvement debt is reported net of unamortized discount. The School amortizes debt discounts over the life of the debt using the straight-line method. Current-year information relative to changes in long-term debt is described in subsequent notes.

➤ **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.

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 then. The School does not have any items that qualify for reporting in this category.

➤ **Net Position and Fund Balance Classification**

Government-wide Financial Statements

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, 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 Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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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 associated with inventories, prepaid expenses, long-term loans and notes receivable, and 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 nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does 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.

➤ **Order of Fund Balance Spending Policy**

The School’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for 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 the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department

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of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent (FTE) students reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made. The District receives a 5% administrative fee from the School, which is reflected in the accompanying statement of activities and statement of revenues, expenditures and change in fund balances – governmental funds.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2023, the School reported 787.77 unweighted FTE and 824.3213 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

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

The School also receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales, and local property tax collections.

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The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there is are no subsequent events which require disclosure.

2. CASH DEPOSITS

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School does not have a custodial credit risk policy. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. As of June 30, 2023, the School was exposed to custodial credit risk. The School's bank accounts exceeded the FDIC insurance limit by \$1,045,097.

3. INVESTMENTS

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

All of the School's recurring fair value measurements as of June 30, 2023, are valued using quoted market prices (Level 1 inputs).

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The School's investments at June 30, 2023, are reported as follows:

<u>Investment</u>	<u>Amount</u>
Regions Bank - Morgan Stanley Institutional	
Liquidty Funds - Treasury Portfolio	\$ 2,706,136
Total	<u>\$ 2,706,136</u>

This investment is reported as a cash equivalent for financial statement reporting purposes.

4. DUE FROM OTHER AGENCIES

The amount due from other agencies included in the accompanying statement of net position and balance sheet – governmental funds consists of amounts due for ESSER and NSLP grants funds for expenditures paid and awaiting reimbursement recorded in the Special Revenue Fund and for Charter School Capital Outlay recorded in the Capital Projects Fund. These receivables are considered to be fully collectible and as such, no allowance for uncollectible accounts has been established.

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Land	\$ 2,395,505	\$ -	\$ -	\$ 2,395,505
Construction in Progress	11,818,848	-	(11,818,848)	-
Buildings & Fixed Equipment	11,351,854	13,574,463	-	24,926,317
Furniture, Fixtures and Equipment	955,229	278,361	-	1,233,590
Leased Asset - Building	-	2,888,847	-	2,888,847
Total Capital Assets	<u>26,521,436</u>	<u>16,741,671</u>	<u>(11,818,848)</u>	<u>31,444,259</u>
Less Accumulated Depreciation/Amortization for:				
Buildings & Fixed Equipment	(1,052,859)	(363,586)	-	(1,416,445)
Furniture, Fixtures and Equipment	(324,835)	(207,467)	-	(532,302)
Leased Asset - Building	-	(160,002)	-	(160,002)
Total Accumulated Depreciation/Amortization	<u>(1,377,694)</u>	<u>(731,055)</u>	<u>-</u>	<u>(2,108,749)</u>
Governmental Activities Capital Assets, net	<u>\$ 25,143,742</u>	<u>\$ 16,010,616</u>	<u>\$ (11,818,848)</u>	<u>\$ 29,335,510</u>

All depreciation/amortization expense was shown as unallocated on the Statement of Activities.

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6. NOTE PAYABLE

The School in January 2017, signed an unsecured promissory note with the Babcock Ranch Foundation, Inc., (“Foundation”) for \$650,000 to be paid over 7 years. The primary purpose of the Note was to fund start-up costs of the School. In the 20-21 fiscal year, the note was amended to modify the repayment schedule. No payments will be due and no interest will be accrued on this note through June 30, 2028. Beginning July 1, 2028, quarterly principal and interest payments will be due through April 1, 2036.

In the case of non-payment, the Foundation shall give notice to the School prior to acceleration following School’s breach of any agreement in this Note. The notice shall specify: (a) default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to School, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums owed under this Note. If default is not cured on or before the date specified in the notice, the Foundation, at its option, may require immediate payment of all sums due under this Note without further demand and may move to collect all sums due and owing under this Note by judicial proceeding. The Foundation shall be entitled to collect all expenses incurred in pursuing the remedies provided herein, including, but not limited to, reasonable attorney fees and costs.

The annual requirements amortize the note payable outstanding at June 30, 2023, is as follows:

Fiscal Year	Total	Principal	Interest
Ending June 30			
2024	\$ -	\$ -	\$ -
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029-2033	471,806	406,250	65,556
2034-2036	253,809	243,750	10,059
Total	<u>\$ 725,615</u>	<u>\$ 650,000</u>	<u>\$ 75,615</u>

7. LONG-TERM LEASE PAYABLE

The School entered into a lease for a fieldhouse/emergency shelter on August 2021, with rent commencing in August of 2022. The lease is perpetual unless terminated by the School with no less than twelve-month notice. The lease contains base lease payments that increase by a minimum of two percent annually plus a portion of shared costs. The fair value of the leased asset is \$2,888,847. Amortization of the leased asset recorded under this lease is included with depreciation/amortization expense in the accompanying financial statements.

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Future minimum lease payments and the present value of the minimum lease payments as of June 30 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2024	\$ 330,804	\$ 171,745	\$ 159,059
2025	332,665	184,251	148,414
2026	334,563	197,566	136,997
2027	336,498	211,741	124,757
2028	338,472	226,830	111,642
2029-2033	1,723,387	1,396,691	326,696
2034	351,176	340,024	11,152
Total	<u>\$ 3,747,565</u>	<u>\$ 2,728,845</u>	<u>\$ 1,018,717</u>

The imputed interest rate is 6 percent.

8. BONDS PAYABLE

Bonds payable at June 30, 2023, are as follows:

Bond Type	Amount Outstanding	Interest Rates	Annual Maturity To
Series 2018	\$ 12,730,000	5.9 to 6.375%	2054
Series 2021	14,950,000	4.00 to 4.25%	2061
<i>less: Unamortized Bond Discount</i>	<u>(380,993)</u>		
	<u>\$ 27,299,007</u>		

Revenue Bonds Series 2018 – On March 18, 2018, the School issued tax-exempt revenue bonds (Series 2018) for \$12,730,000 secured by a mortgage on the School’s property and buildings. The bonds were issued to construct a school facility on land owned by the School.

Series 2018 bonds are term bonds paying interest semi-annually at a rate ranging from 5.900% to 6.375% with maturities starting 8/15/2024, and ending 8/15/2053.

Revenue Bonds Series 2021 – On August 13, 2021, the School issued tax-exempt revenue bonds (Series 2021) for \$14,950,000 secured by a mortgage on the School’s property and buildings. The bonds were issued to construct a school facility on land owned by the School.

Series 2021 bonds are term bonds paying interest semi-annually at a rate ranging from 4.00% to 4.25% with maturities starting 8/15/2051, and ending 8/15/2061.

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As required by the bond resolution, the School has established a sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The School is required to disclose its debt service coverage ratio and days cash on hand as described in the Loan Agreement. The minimum debt service coverage ratio is required to be 1.1 to 1 (the "Debt Service Coverage Requirement") as of June 30, 2019, and each fiscal year thereafter. The School's Debt Service Coverage Ratio at June 30, 2023, as calculated was 1.77. Further, the School agrees to have cash on hand at each June 30 until the bonds are no longer outstanding in an amount not less than 60 days at June 30, 2021, and thereafter. As of June 30, 2023, the School's number of days cash on hand was 51.

In the event of default for non-payment of principal or interest on the bonds, the outstanding amounts will become due and payable.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2023, are as follows:

Fiscal Year	Total	Principal	Interest
Ending June 30			
2024	\$ 1,415,254	\$ -	\$ 1,415,254
2025	1,570,534	160,000	1,410,534
2026	1,570,799	170,000	1,400,799
2027	1,643,974	255,000	1,388,974
2028	1,644,959	270,000	1,374,959
2029-2033	8,217,337	1,585,000	6,632,337
2034-2038	8,201,781	2,070,000	6,131,781
2039-2043	8,187,818	2,720,000	5,467,818
2044-2048	8,160,789	3,580,000	4,580,789
2049-2053	8,126,381	4,735,000	3,391,381
2054-2058	8,120,996	6,170,000	1,950,996
2059-2062	6,485,094	5,965,000	520,094
<i>Unamortized Bond Discount</i>	<u>(380,993)</u>	<u>(380,993)</u>	<u>-</u>
Total	<u>\$ 62,964,723</u>	<u>\$ 27,299,007</u>	<u>\$ 35,665,716</u>

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9. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
GOVERNMENTAL ACTIVITIES:					
Bonds Payable	\$ 27,680,000	\$ -	\$ -	\$ 27,680,000	\$ -
Unamortized Bond Discount	(392,198)	-	11,205	(380,993)	-
Total Bonds Payable	27,287,802	-	11,205	27,299,007	-
Note Payable	650,000	-	-	650,000	-
Long-Term Lease Payable	-	2,888,847	(160,002)	2,728,845	171,745
Total Governmental Activities	\$ 27,937,802	\$ 2,888,847	\$ (148,797)	\$ 30,677,852	\$ 171,745

10. INTERFUND RECEIVABLES, PAYABLES, & TRANSFERS

At June 30, 2023, the School's Special Revenue Fund and Capital Projects Fund owed the General Fund \$43,530 and \$49,423, respectively, for expenditures awaiting reimbursement from other agencies. These amounts are netted together and not reported in the statement of net position.

The School's General Fund and Capital Projects Fund transferred \$543,244 and \$425,890, respectively, to the Debt Service for interest payments owed on long-term debt. The General Fund transferred \$105,708 to the Special Revenue Fund to assist in funding the School's food service program. These amounts of interfund transfers are netted together and not reported in the statement of activities.

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the School's State revenue:

Source	Amount
Florida Education Finance Program	\$ 5,271,436
Categorical Programs:	
Class Size Reduction	756,525
Charter School Capital Outlay	425,890
Miscellaneous	29,644
Total State Revenue	\$ 6,579,520

As provided in the charter school contract, the District has charged the School an administrative fee of \$89,573.

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12. TRANSACTIONS WITH DEVELOPER

The School entered into a pledge agreement with BPH in which BPH will make donations for the School to apply to the costs associated with the existing building renovations and high school building construction. For the fiscal year ended June 30, 2023, BPH donated \$1,821,279 to School related to this pledge agreement.

On August 20, 2021, Babcock Neighborhood School, Inc., the School's charter-holder, entered into a Limited Financial Support Agreement with Babcock Property Holdings, LLC ("BPH") in which BPH will make donations to the School to be used to help support the School if there is a budget deficit, not to exceed \$980,000 annually. The School received \$320,682 as a deferred pledge to be recognized as revenue in the next fiscal year. For the fiscal year ended June 30, 2023, BPH donated \$130,800 to the School.

The donations are reported as Local and Other Revenue on the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.

13. PROFESSIONAL SERVICES AGREEMENT

The School entered into a contract with a professional accounting services company, which provides accounting and financial services and other assistance to the School for a fee of \$127,000 annually. This contract may be cancelled by either party with 30 days advance notice.

14. RISK MANAGEMENT PROGRAMS

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

15. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2023, may be impaired.

In the opinion of the School, there are no significant 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.

BABCOCK NEIGHBORHOOD SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

16. FUNDING AND CREDIT RISK CONCENTRATIONS

The School receives substantially all of its support and revenue from Federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

17. LEGAL MATTERS

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

BABCOCK NEIGHBORHOOD SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF CHARLOTTE COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND & MAJOR SPECIAL REVENUE FUND (UNAUDITED)
For the Fiscal Year Ended June 30, 2023

	General Fund				Major Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:								
Intergovernmental:								
Federal Through State and Local State	\$ -	\$ -	\$ -	\$ -	\$ 1,056,572	\$ 1,138,207	\$ 1,138,207	\$ -
Local and Other	6,080,826	6,153,630	6,153,630	-	-	-	-	-
Total Revenues	2,386,587	3,880,467	3,880,467	-	171,662	157,148	157,148	-
Total Revenues	8,467,413	10,034,097	10,034,097	-	1,228,234	1,295,355	1,295,355	-
Expenditures:								
Current - Education:								
Instruction	4,346,363	4,736,796	4,736,796	-	749,177	624,954	624,954	-
Student Support Services	105,516	83,959	83,959	-	100,972	109,643	109,643	-
Instruction & Curriculum Development	109,648	148,250	148,250	-	25,000	19,469	19,469	-
Instructional Staff Training	5,000	13,692	13,692	-	91,985	81,996	81,996	-
Instructional Related Technology	244,627	203,728	203,728	-	12,182	10,483	10,483	-
Board	229,897	187,627	187,627	-	-	-	-	-
General Administration	51,327	46,063	46,063	-	-	-	-	-
School Administration	850,036	954,607	954,607	-	-	-	-	-
Facilities Acquisition & Construction	15,495	49,277	49,277	-	-	-	-	-
Fiscal Services	117,000	117,148	117,148	-	-	-	-	-
Food Services	-	-	-	-	304,048	335,563	335,563	-
Operation of Plant	1,476,812	1,258,298	1,258,298	-	-	-	-	-
Maintenance of Plant	38,163	18,066	18,066	-	-	-	-	-
Community Service	348,674	360,588	360,588	-	-	-	-	-
Fixed Capital Outlay:								
Facilities Acquisition & Construction	-	3,992,253	3,992,253	-	-	-	-	-
Other Capital Outlay	-	59,406	59,406	-	-	218,955	218,955	-
Debt Service:								
Principal	-	160,002	160,002	-	-	-	-	-
Interest	-	126,228	126,228	-	-	-	-	-
Total Expenditures	7,938,558	12,515,988	12,515,988	-	1,283,364	1,401,063	1,401,063	-
Excess (Deficiency) of Revenues								
Over Expenditures	528,855	(2,481,891)	(2,481,891)	-	(55,130)	(105,708)	(105,708)	-
Other Financing Sources (Uses):								
Inception of Long-Term Lease	-	2,888,847	2,888,847	-	-	-	-	-
Transfers In/(Out)	(1,072,950)	(648,952)	(648,952)	-	55,130	105,708	105,708	-
Total Other Financing Sources (Uses)	(1,072,950)	2,239,895	2,239,895	-	55,130	105,708	105,708	-
Net Change in Fund Balances	(544,095)	(241,996)	(241,996)	-	-	-	-	-
Fund Balances, July 1, 2022	710,961	710,961	710,961	-	-	-	-	-
Fund Balances, June 30, 2023	\$ 166,866	\$ 468,965	\$ 468,965	\$ -	\$ -	\$ -	\$ -	\$ -

See Independent Auditor's Report

BABCOCK NEIGHBORHOOD SCHOOL, INC.

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

Members:
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**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***

Independent Auditor's Report

To the Board of Directors Babcock Neighborhood School, Inc.,
a Charter School and Component Unit of the
District School Board of Charlotte County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Babcock Neighborhood School, Inc. ("School"), a component unit of the District School Board of Charlotte County, Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) 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.

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.

King & Walker, CPAs

October 13, 2023
Tampa, Florida



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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors Babcock Neighborhood School, Inc.,
a Charter School and Component Unit of the
District School Board of Charlotte County, Florida

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Babcock Neighborhood School, Inc.'s ("School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major Federal programs for the year ended June 30, 2023. The School's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance

requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

October 13, 2023
Tampa, Florida

BABCOCK NEIGHBORHOOD SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF CHARLOTTE COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass - Through Grantor Number	Amount of Expenditures
Clustered			
Child Nutrition Cluster:			
United States Department of Agriculture:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	23002	\$ 9,966
National School Lunch Program	10.555	23001, 23003	98,107
COVID-19 National School Lunch Program	COVID-19, 10.555	23001, 23003	<u>43,130</u>
Total Child Nutrition Cluster			<u>151,203</u>
Not Clustered			
United States Department of Education:			
Charlotte County District School Board:			
English Language Acquisition State Grants, Title III	84.365	102	2,732
Student Support and Academic Enrichment Program, Title IV Part A	84.424A	241	10,968
Education Stabilization Fund	84.425		
Elementary and Secondary School Emergency Relief Fund ARP	COVID-19, 84.425U	121	<u>973,304</u>
Total Education Stabilization Fund	84.425		<u>973,304</u>
Total United States Department of Education			<u>987,004</u>
Total Expenditures of Federal Awards			<u>\$ 1,138,207</u>

See Independent Auditor's Report.

BABCOCK NEIGHBORHOOD SCHOOL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200
June 30, 2023

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of the School under programs of the Federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

BABCOCK NEIGHBORHOOD SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200
June 30, 2023

Section I – SUMMARY OF AUDIT RESULTS

As required by Title 2 U.S. Code of Federal Regulations Section 200.515, the following is a summary of the results of the audit of Babcock Neighborhood School, Inc., for the fiscal year ended June 30, 2023:

Financial Statements	Results
Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal Control Over Financial Reporting:	
Material weakness identified?	No
Significant Deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major Federal program:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for the major Federal program?	Unmodified
Any audit findings disclosed that are required to be reported under 2 CFR Section 200.516(a)?	No
Identification of major Federal program:	
Assistance Listing Number	
84.425	Education Stabilization Fund
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

Section III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

Section IV – STATUS OF PRIOR YEAR FINDINGS

No matters were reported.

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

To the Board of Directors Babcock Neighborhood School, Inc.,
a Charter School and Component Unit of the
District School Board of Charlotte County, Florida

Report on the Financial Statements

We have audited the financial statements of Babcock Neighborhood School, Inc. (“School”), a component unit of the District School Board of Charlotte County, Florida, as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated October 13, 2023.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”); 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*, Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance required by the Uniform Guidance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated October 13, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no prior audit findings or recommendations.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Babcock Neighborhood School, 080503.

Financial Condition and Management

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

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

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

Transparency

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

Additional Matters

Section 10.854(1)(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, Federal and other granting agencies the Board of Directors, applicable management, and District School Board of Charlotte County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

October 13, 2023
Tampa, Florida