

Mid Cape Global Academy

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

Basic Financial Statements
For the Year Ended June 30, 2023



Mid Cape Global Academy

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mid Cape Global Academy
A Department of Southwest Charter Foundation, Inc.
Cape Coral, 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 Mid Cape Global Academy (the "School"), a Department of Southwest Charter Foundation, Inc. and a component unit of the School District of Lee County, Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and change in financial position of only that portion of the governmental activities and each major fund of Southwest Charter Foundation, Inc. that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of Southwest Charter Foundation, Inc. as of June 30, 2023 and the changes in its financial position or budgetary comparisons, where applicable, for the year ended June 30, 2023 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

CPAs + Trusted Advisors

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 7, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS



As management of Mid Cape Global Academy (the "School"), a Department of Southwest Charter Foundation, Inc. and a component unit of the School District of Lee County, Florida (the "School District"), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2023 and 2022.

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

Financial Highlights

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

- As of June 30, 2023, the School's fund balances were \$ 183,178 as compared to \$ 103,409 for the year ended June 30, 2022.
- The changes in net position at the School resulted in net position (deficit) of \$ (2,126,754) as of June 30, 2023, as compared to net position (deficit) of \$ (2,332,199) as of June 30, 2022.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Notes to Basic Financial Statements: The notes provide additional information which is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17 through 26 of this report.

Government-Wide Financial Analysis

The School has been in operation for nineteen years; therefore, comparative government-wide data is presented. The School's net position (deficit) was \$ (2,126,754) at June 30, 2023, of which \$ (2,291,014) represents net investment in capital assets (deficit), \$ 72,183 represents restricted net position and \$ 92,077 is unrestricted net position. The School's net position (deficit) was \$ (2,332,199) at June 30, 2022, of which \$ (2,412,893) represented net investment in capital assets (deficit), \$ 65,051 represented restricted net position and \$ 15,643 represented unrestricted net position.

**Mid Cape Global Academy
Management's Discussion and Analysis
June 30, 2023**

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

Mid Cape Global Academy Net Position (Deficit)		
	June 30, 2023	June 30, 2022
Assets:		
Current and other assets	\$ 1,246,145	\$ 918,305
Capital assets, net of depreciation	11,261,940	11,758,919
Total assets	12,508,085	12,677,224
Liabilities:		
Current liabilities	1,651,948	1,450,790
Noncurrent liabilities	12,982,891	13,558,633
Total liabilities	14,634,839	15,009,423
Net Position (Deficit):		
Net investment in capital assets (deficit)	(2,291,014)	(2,412,893)
Restricted	72,183	65,051
Unrestricted	92,077	15,643
Total net position (deficit)	\$ (2,126,754)	\$ (2,332,199)

Current and other assets rose due to an increase in the School's receivable from CSUSA. Capital assets, net of depreciation decreased due to depreciation expense of approximately \$ 704,400 offset by the addition of \$ 207,470 in capital assets. Current liabilities rose mainly due to an increase in unearned revenue. Noncurrent liabilities decreased due to principal payments made on the School's lease liabilities.

Governmental Activities: The results of this year's operations for the School as a whole are reported in the statement of activities on page 10. The following table provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2023 and 2022:

Mid Cape Global Academy Change in Net Position		
	June 30, 2023	June 30, 2022
Revenues:		
General revenues	\$ 6,119,352	\$ 5,024,975
Program revenues	2,081,098	1,896,347
Transfer out	(65,413)	(293,929)
Total revenues	8,135,037	6,627,393
Functions/Program Expenses:		
Instruction	3,516,510	2,981,236
Instructional support services	3,333,421	2,547,957
Non-instructional services	1,079,661	1,063,674
Total governmental activities	7,929,592	6,592,867
Change in net position	\$ 205,445	\$ 34,526

**Mid Cape Global Academy
Management’s Discussion and Analysis
June 30, 2023**

General revenues increased compared to the previous year due to a rise in student enrollment and Florida Education Finance Program (FEFP) revenues. The program revenues rose due to an increase in interest. Total expenses increased due to rising instructional and non-instructional services.

Governmental Fund Expenditures

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

Functions/Programs	2023		2022	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 3,324,189	41%	\$ 2,852,718	44%
Debt service	1,058,890	13%	840,486	13%
Plant operation and maintenance	1,352,919	17%	823,077	12%
Administrative services	625,759	8%	469,096	7%
Student support services	491,766	6%	333,209	5%
All other functions/programs	<u>1,201,745</u>	<u>15%</u>	<u>1,281,758</u>	<u>19%</u>
Total governmental expenditures	\$ <u>8,055,268</u>	<u>100%</u>	\$ <u>6,600,344</u>	<u>100%</u>

Capital Assets and Debt Administration

Capital assets: At June 30, 2023, the School had capital assets of \$ 11,261,940, net of accumulated depreciation and amortization, invested in intangible right to use building, leasehold improvements and computer equipment, furniture, fixture and equipment, as compared to \$ 11,758,919 at June 30, 2022.

Debt: At June 30, 2023, the School had debt of \$ 13,552,954, as compared to \$ 14,171,812 at June 30, 2022. More information about the School’s debt can be found in Notes 8 and 9 on pages 23 and 24 of this report.

General Fund Budgetary Highlights

State source revenues were unfavorable to budget due to FEFP revenues. Local source revenues were favorable to budget due to increase in CSUSA contributions. Total General Fund revenues were favorable to budget by \$ 163,535. Total General Fund expenditures were favorable to budget by \$ 442,866. Overall, the School ended the year with an increase in fund balance of \$ 72,637.

Economic Factors and Next Year’s Budget

In fiscal year 2023, the State of Florida continued to include a teacher salary increase allocation (TSIA) of \$ 800 million. The capital outlay funding pool ended up at \$ 196.2 million. In addition to the TSIA, teachers also received a compensation increase to align overall salaries with district levels.

For fiscal year 2024, the teacher salary increase allocation will be \$ 1.1 billion and will continue to be part of FEFP funding. Additionally, the State of Florida approved an increase to the base funding allocation and capital outlay. A 3% merit increase for all staff was included in the budget. All other expenditures are budgeted in alignment with enrollment changes and the School’s strategic objectives.

Requests for Information

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

BASIC FINANCIAL STATEMENTS



Mid Cape Global Academy
Statement of Net Position (Deficit)
June 30, 2023

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 677,736
Due from other governments	138,862
Due from management company	312,857
Due from related party	4,253
Other receivables	7,007
Prepaid items	100,929
Deposits	4,501
	<hr/>
Total current assets	1,246,145
Noncurrent Assets:	
Capital assets (depreciable and amortizable), net of accumulated depreciation and amortization	11,261,940
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Total assets	12,508,085
Current Liabilities:	
Accounts payable and accrued liabilities	147,294
Salaries and wages payable	293,255
Due to Trustee	117,457
Due to related parties	350,537
Unearned revenue	154,424
Compensated absences	14,189
Leases	574,792
	<hr/>
Total current liabilities	1,651,948
Noncurrent Liabilities:	
Compensated absences	4,729
Leases	12,978,162
	<hr/>
Total noncurrent liabilities	12,982,891
Total liabilities	14,634,839
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Commitments (Note 11)	-
Net Position (Deficit):	
Net investment in capital assets (deficit)	(2,291,014)
Restricted for extracurricular activities	72,183
Unrestricted	92,077
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Total net position (deficit)	\$ (2,126,754)
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The accompanying notes to basic financial statements are an integral part of these statements.

**Mid Cape Global Academy
Statement of Activities
For the Year Ended June 30, 2023**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Activities Net Revenue (Expense) and Change in Net Position (Deficit)</u>
Functions/Programs:					
Instruction	\$ 3,516,510	\$ -	\$ 553,323	\$ -	\$ (2,963,187)
Student support services	491,766	-	36,349	-	(455,417)
Instructional media services	-	-	-	-	-
Instruction and curriculum development services	4,900	-	-	-	(4,900)
Instructional staff training services	17,245	-	1,251	-	(15,994)
Instruction related technology	124,880	-	-	-	(124,880)
Board	27,481	-	-	-	(27,481)
School administration	625,759	-	20,723	-	(605,036)
Fiscal services	5,700	-	-	-	(5,700)
Food services	287,915	15,899	287,915	-	15,899
Central services	124,651	-	-	-	(124,651)
Transportation services	207,621	-	94,420	-	(113,201)
Operation of plant	1,536,512	-	99,110	61,218	(1,376,184)
Maintenance of plant	324,738	-	-	-	(324,738)
Community services	98,741	368,585	-	-	269,844
Extracurricular activities	95,141	-	102,273	-	7,132
Interest on long-term debt	440,032	-	-	440,032	-
Total governmental activities	\$ <u>7,929,592</u>	\$ <u>384,484</u>	\$ <u>1,195,364</u>	\$ <u>501,250</u>	<u>(5,848,494)</u>
General revenues:					
Grants and entitlements					5,891,466
Interest income					10,756
Contributions					217,130
Transfer out					<u>(65,413)</u>
Total general revenues and transfers					<u>6,053,939</u>
Change in net position					205,445
Net position (deficit), July 1, 2022					<u>(2,332,199)</u>
Net position (deficit), June 30, 2023					\$ <u><u>(2,126,754)</u></u>

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

Mid Cape Global Academy
Balance Sheet - Governmental Funds
June 30, 2023

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Projects Fund</u>	<u>Club and Activities Fund</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 599,929	\$ -	\$ -	\$ 77,807	\$ 677,736
Due from other governments	-	138,862	-	-	138,862
Due from management company	312,857	-	-	-	312,857
Due from related party	4,253	-	-	-	4,253
Due from other funds	144,486	-	-	-	144,486
Other receivables	7,007	-	-	-	7,007
Prepaid items	100,929	-	-	-	100,929
Deposits	4,501	-	-	-	4,501
	<u>1,173,962</u>	<u>138,862</u>	<u>-</u>	<u>77,807</u>	<u>1,390,631</u>
Total assets	\$ <u>1,173,962</u>	\$ <u>138,862</u>	\$ <u>-</u>	\$ <u>77,807</u>	\$ <u>1,390,631</u>
Liabilities:					
Accounts payable and accrued liabilities	\$ 147,294	\$ -	\$ -	\$ -	\$ 147,294
Salaries and wages payable	293,255	-	-	-	293,255
Due to Trustee	117,457	-	-	-	117,457
Due to related parties	350,537	-	-	-	350,537
Unearned revenue	154,424	-	-	-	154,424
Due to other funds	-	138,862	-	5,624	144,486
	<u>1,062,967</u>	<u>138,862</u>	<u>-</u>	<u>5,624</u>	<u>1,207,453</u>
Total liabilities	<u>1,062,967</u>	<u>138,862</u>	<u>-</u>	<u>5,624</u>	<u>1,207,453</u>
Commitments (Note 11)	-	-	-	-	-
Fund Balances:					
Nonspendable:					
Prepaid items	100,929	-	-	-	100,929
Deposits	4,501	-	-	-	4,501
Restricted for extracurricular activities	-	-	-	72,183	72,183
Unassigned	5,565	-	-	-	5,565
	<u>110,995</u>	<u>-</u>	<u>-</u>	<u>72,183</u>	<u>183,178</u>
Total fund balances	<u>110,995</u>	<u>-</u>	<u>-</u>	<u>72,183</u>	<u>183,178</u>
Total liabilities and fund balances	\$ <u>1,173,962</u>	\$ <u>138,862</u>	\$ <u>-</u>	\$ <u>77,807</u>	\$ <u>1,390,631</u>

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

**Mid Cape Global Academy
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position (Deficit)
 June 30, 2023**

Total Fund Balances - Governmental Funds \$ 183,178

Amounts reported for governmental activities in the statement of net position (deficit) are different because:

The cost of capital assets acquired is reported as an expenditure in the governmental funds. The statement of net position (deficit) includes those capital assets, net of accumulated depreciation and amortization, among the assets of the School as a whole.

Cost of capital assets	\$	20,313,380		
Accumulated depreciation and amortization		<u>(9,051,440)</u>		11,261,940

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

Compensated absences	\$	(18,918)		
Leases		<u>(13,552,954)</u>		<u>(13,571,872)</u>

Net Position (Deficit) of Governmental Activities \$ (2,126,754)

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

**Mid Cape Global Academy
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2023**

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Projects Fund</u>	<u>Club and Activities Fund</u>	<u>Total</u>
Revenues:					
Federal through state	\$ -	\$ 948,273	\$ -	\$ -	\$ 948,273
State sources	6,004,096	3,159	501,250	-	6,508,505
Local sources	330,931	-	-	102,273	433,204
Aftercare	310,468	-	-	-	310,468
	<u>6,645,495</u>	<u>951,432</u>	<u>501,250</u>	<u>102,273</u>	<u>8,200,450</u>
Total revenues					
	<u>6,645,495</u>	<u>951,432</u>	<u>501,250</u>	<u>102,273</u>	<u>8,200,450</u>
Expenditures:					
Instruction	3,015,392	308,797	-	-	3,324,189
Student support services	455,417	36,349	-	-	491,766
Instruction and curriculum development services	4,900	-	-	-	4,900
Instructional staff training services	15,994	1,251	-	-	17,245
Instruction related technology	124,880	-	-	-	124,880
Board	27,481	-	-	-	27,481
School administration	605,036	20,723	-	-	625,759
Fiscal services	5,700	-	-	-	5,700
Food services	-	287,915	-	-	287,915
Central services	124,651	-	-	-	124,651
Transportation services	207,621	-	-	-	207,621
Operation of plant	906,155	60,808	61,218	-	1,028,181
Maintenance of plant	324,738	-	-	-	324,738
Community services	98,741	-	-	-	98,741
Extracurricular activities	-	-	-	95,141	95,141
Capital outlay	81,230	126,240	-	-	207,470
Debt service:					
Principal	618,858	-	-	-	618,858
Interest	-	-	440,032	-	440,032
	<u>6,616,794</u>	<u>842,083</u>	<u>501,250</u>	<u>95,141</u>	<u>8,055,268</u>
Total expenditures					
	<u>6,616,794</u>	<u>842,083</u>	<u>501,250</u>	<u>95,141</u>	<u>8,055,268</u>
Excess (deficiency) of revenues over expenditures	<u>28,701</u>	<u>109,349</u>	<u>-</u>	<u>7,132</u>	<u>145,182</u>
Other Financing Sources (Uses):					
Transfer out	(65,413)	(109,349)	-	-	(174,762)
Transfers in	109,349	-	-	-	109,349
	<u>43,936</u>	<u>(109,349)</u>	<u>-</u>	<u>-</u>	<u>(65,413)</u>
Total other financing sources (uses)					
	<u>43,936</u>	<u>(109,349)</u>	<u>-</u>	<u>-</u>	<u>(65,413)</u>
Net change in fund balances	72,637	-	-	7,132	79,769
Fund Balances, July 1, 2022	<u>38,358</u>	<u>-</u>	<u>-</u>	<u>65,051</u>	<u>103,409</u>
Fund Balances, June 30, 2023	<u>\$ 110,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,183</u>	<u>\$ 183,178</u>

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

**Mid Cape Global Academy
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023**

Net Change in Fund Balances - Governmental Funds \$ 79,769

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, these costs are allocated over their estimated useful lives as provision for depreciation and amortization.

Cost of capital assets	\$ 207,470	
Provision for depreciation and amortization	<u>(704,449)</u>	(496,979)

Principal payments on long-term debt are reported as expenditures in the governmental funds, but as a reduction of long-term liabilities in the statement of net position.

Retirement of capital lease obligations		618,858
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Certain items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences		<u>3,797</u>
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Change in Net Position of Governmental Activities \$ 205,445

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

**Mid Cape Global Academy
Statement of Revenues and Expenditures -
Budget and Actual - General Fund
For the Year Ended June 30, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
State sources	\$ 6,114,037	\$ 6,004,096	\$ (109,941)
Local sources	61,726	330,931	269,205
Aftercare	306,197	310,468	4,271
	<u>6,481,960</u>	<u>6,645,495</u>	<u>163,535</u>
Expenditures:			
Instruction	2,816,537	3,015,392	(198,855)
Student support services	197,444	455,417	(257,973)
Instruction and curriculum development services	1,192	4,900	(3,708)
Instructional staff training services	10,698	15,994	(5,296)
Instruction related technology	146,265	124,880	21,385
Board	17,162	27,481	(10,319)
School administration	496,867	605,036	(108,169)
Fiscal services	498,007	5,700	492,307
Central services	126,004	124,651	1,353
Transportation services	385,416	207,621	177,795
Operation of plant	730,351	906,155	(175,804)
Maintenance of plant	377,820	324,738	53,082
Community services	125,072	98,741	26,331
Capital outlay	71,974	81,230	(9,256)
Debt service:			
Principal	589,887	618,858	(28,971)
Interest	468,964	-	468,964
	<u>7,059,660</u>	<u>6,616,794</u>	<u>442,866</u>
Excess (deficiency) of revenues over expenditures	<u>(577,700)</u>	<u>28,701</u>	<u>606,401</u>
Other Financing Sources (Uses):			
Transfer out	-	(65,413)	(65,413)
Transfers in	626,400	109,349	(517,051)
	<u>626,400</u>	<u>43,936</u>	<u>(582,464)</u>
Total other financing sources (uses)	<u>626,400</u>	<u>43,936</u>	<u>(582,464)</u>
Net change in fund balance	<u>\$ 48,700</u>	<u>\$ 72,637</u>	<u>\$ 23,937</u>

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

**Mid Cape Global Academy
Statement of Revenues and Expenditures -
Budget and Actual - Grants Fund
For the Year Ended June 30, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Federal sources:			
National School Lunch Program	\$ 352,859	\$ 344,478	\$ (8,381)
Title II	6,637	4,500	(2,137)
Title IV	-	14,276	14,276
FEMA	24,974	-	(24,974)
ESSER II	6,058	154,729	148,671
ESSER III	421,057	388,048	(33,009)
Child Care and Development Block Grant	-	42,242	42,242
State sources:			
National School Lunch Program	-	3,159	3,159
	<u>811,585</u>	<u>951,432</u>	<u>139,847</u>
Total revenues			
Expenditures:			
Instruction	254,389	308,797	(54,408)
Student support services	-	36,349	(36,349)
Instructional staff training services	937	1,251	(314)
Instructional media services	55,000	-	55,000
School administration	31,000	20,723	10,277
Food services	286,451	287,915	(1,464)
Operation of plant	66,408	60,808	5,600
Capital outlay	117,400	126,240	(8,840)
	<u>811,585</u>	<u>842,083</u>	<u>(30,498)</u>
Total expenditures			
Excess of revenues over expenditures	<u>-</u>	<u>109,349</u>	<u>109,349</u>
Other Financing Sources (Uses):			
Transfer out	<u>-</u>	<u>(109,349)</u>	<u>(109,349)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Note 1 - Organization and Operations

The Southwest Charter Foundation, Inc. (the "Foundation"), formerly known as The Lee Charter Foundation, Inc., was organized in September 2001 as a Florida nonprofit corporation. Mid Cape Global Academy (the "School"), formerly known as Cape Coral Charter School, is a Department of the Foundation and is established as a charter school for students from kindergarten through eighth grade in Lee County. There were 743 students enrolled for the 2022/2023 school year which includes pre-K.

The basic financial statements of Mid Cape Global Academy, a Department of Southwest Charter Foundation, Inc. and component unit of the School District of Lee County, Florida, present only the balances, activity, and disclosures related to the School. The basic financial statements do not purport to, and do not, present fairly the financial position of Southwest Charter Foundation, Inc. as of June 30, 2023, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The School's basic financial statements do not include the activity or accounts of the Lee County Community Charter Schools, LLC (Note 11), an entity created to fund the purchase of the facility housing the School's operations. Accordingly, these basic financial statements only include balances, activity and disclosures related to the School.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring School District, the Lee County School District. The current charter is effective until June 2033 and may be renewed in increments of five years by mutual written agreement between the School and the School District. At the end of the term of the charter, the School District may choose not to renew the charter under grounds specified in the charter in which case the School District is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the School District may also terminate the charter if good cause is shown. The School is considered a component unit of the Lee County School District.

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

The School's major governmental funds are as follows:

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

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

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within one hundred twenty days of the end of the current period. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

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

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

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

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

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

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

Leasehold improvements	10 years
Computer equipment	3 years
Furniture, fixtures and equipment	5 years

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

- Nonspendable - this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Note 2 - Summary of Significant Accounting Policies (continued)

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

The details of the fund balances are included in the Governmental Fund Balance Sheet on page 11.

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

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

Budget: An operating budget is adopted and maintained by the governing board for all governmental funds, except the Club and Activities Fund, pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements.

Date of management review: Subsequent events were evaluated through September 7, 2023, which is the date the financial statements were available to be issued.

Note 3 - Cash and Cash Equivalents

At June 30, 2023, the School's carrying amount of cash totaled \$ 677,736 and a bank balance of \$ 726,245.

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

Note 4 - Interfund Receivables and Payables and Interfund Transfers

The composition of interfund balances as of June 30, 2023 is as follows:

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Club and Activities Fund	\$ 5,624
General Fund	Grants Fund	<u>138,862</u>
		<u>\$ 144,486</u>

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

The composition of interfund transfers for the year ended June 30, 2023 is as follows:

	<u>Transfers In</u> <u>General</u> <u>Fund</u>
Transfers Out: Grants Fund	\$ <u>109,349</u>

During the year, transfers were used to move grant revenue received in the current year for prior year expenditures to the General Fund.

Note 5 - Due To Trustee

Due to Trustee at June 30, 2023 consists of amounts due to the Trustee for advances from the Series 2007 Bond Repair and Replacement Account.

Note 6 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2023 are as follows:

	Balance at July 1, 2022	Additions	Transfer	Balance at June 30, 2023
Capital assets being depreciated/ amortized:				
Improvements other than building	\$ 521,326	\$ 2,117	\$ -	\$ 523,443
Furniture, fixtures and equipment	451,633	65,335	(130,343)	386,625
Computer equipment	1,142,768	140,018	196,783	1,479,569
Intangible right to use:				
Building	17,721,743	-	-	17,721,743
Leasehold improvements	202,000	-	-	202,000
Computer equipment	<u>66,440</u>	<u>-</u>	<u>(66,440)</u>	<u>-</u>
Total capital assets being depreciated/amortized	<u>20,105,910</u>	<u>207,470</u>	<u>-</u>	<u>20,313,380</u>

Note 6 - Capital Assets (continued)

	Balance at July 1, 2022	Additions	Transfer	Balance at June 30, 2023
Accumulated depreciation/ amortization:				
Improvements other than building	166,955	45,087	-	212,042
Furniture, fixtures and equipment	284,525	15,565	1,228	301,318
Computer equipment	1,024,589	180,553	37,529	1,242,671
Intangible right to use:				
Building	6,756,415	443,044	-	7,199,459
Leasehold improvements	75,750	20,200	-	95,950
Computer equipment	38,757	-	(38,757)	-
Total accumulated depreciation/ amortization	<u>8,346,991</u>	<u>704,449</u>	<u>-</u>	<u>9,051,440</u>
Net capital assets being depreciated/amortized	\$ <u>11,758,919</u>	\$ <u>(496,979)</u>	\$ <u>-</u>	\$ <u>11,261,940</u>

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

Instruction	\$ 196,118
Operation of plant	<u>508,331</u>
	<u>\$ 704,449</u>

Note 7 - Due From/To Related Parties

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

Note 8 - Leases

In 2007, the School entered into a lease arrangement for its facility. This lease arrangement was entered into as part of a transaction consisting of a bond issuance by the Lee County Industrial Development Authority (Note 11). This lease agreement was amended and restated upon the closing of a supplemental bond issuance. The lease is through 2057 and requires monthly interest and principal payments through June 2037. As of June 30, 2023 the net book value of the leased facility is approximately \$10,522,300. Amortization of the leased facility is included with depreciation expense.

Note 8 - Leases (continued)

Future minimum payments at June 30, 2023 on leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 571,114	\$ 419,135	\$ 990,249
2025	590,498	400,345	990,843
2026	609,882	380,537	990,419
2027	630,650	359,694	990,344
2028	901,580	337,550	1,239,130
2029-2033	4,892,117	1,302,682	6,194,799
2034-2037	5,353,435	479,189	5,832,624
	<u>\$ 13,549,276</u>	<u>\$ 3,679,132</u>	<u>\$ 17,228,408</u>

Previously, the School entered into a lease arrangement for the replacement of a heating, ventilation and cooling (HVAC) unit. The lease requires monthly payments of \$ 3,704. Principal and interest payments are due through July 2023. As of June 30, 2023, the net book value of the HVAC system is approximately \$ 106,050. Amortization of the HVAC system is included with depreciation expenses.

Future minimum payments at June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 3,678	\$ 26	\$ 3,704

Note 9 - Long-Term Liabilities

Changes in the School's long-term liabilities for the fiscal year ended June 30, 2023 are as follows:

	Balance July 1, 2022	Increases	Deletions	Balance June 30, 2023	Amount Due Within One Year
Lease - building	\$ 14,103,083	\$ -	\$ 553,807	\$ 13,549,276	\$ 571,114
Lease - leasehold improvements	45,843	-	42,165	3,678	3,678
Lease - computer equipment	22,886	-	22,886	-	-
Compensated absences	22,715	66,213	70,010	18,918	14,189
	<u>\$ 14,194,527</u>	<u>\$ 66,213</u>	<u>\$ 688,868</u>	<u>\$ 13,571,872</u>	<u>\$ 588,981</u>

Note 10 - Employee Benefit Plan

During the year ended June 30, 2023, the School offered all of its full-time employees who had attained 21 years of age, a retirement plan (the "Plan") under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of his/her annual gross compensation, subject to certain limitations. The Plan provides for a discretionary employer matching contribution of the participant's annual elective deferral to the Plan. As determined annually by the School's management, the School may also make a discretionary profit-sharing contribution, which is allocated among the participants based on a pro rata formula. Participants are immediately vested in their own contributions and earnings on those contributions. Participants become vested in School contributions and earnings on School contributions according to the following schedule:

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

Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to reduce any employer contribution. For the Plan year ending December 31, 2022, the School had forfeitures of \$ 733. For the year ended June 30, 2023, the School contributed a matching amount of \$ 11,084.

Note 11 - Commitments

Management agreement: The School has a formal agreement through June 2027 with Charter Schools USA at Cape Coral, LC, a wholly owned subsidiary of Charter Schools USA, Inc. ("CSUSA") to manage, staff, and operate the School. All staff of the School are employees of CSUSA. The agreement states that CSUSA will receive cost reimbursements and management fees (the "fee") in annual amounts based on the fee schedule which includes the School, Gateway Charter School, Gateway Intermediate Charter School, Gateway Charter High School, and Six Mile Charter Academy or the budgeted amount approved by the Board of Directors based on enrollment and School performance. The School did not pay a management fee for the year ended June 30, 2023, and CSUSA contributed \$ 217,130 to the School.

The financial statements reflect a due from management company of \$ 312,857 at June 30, 2023 for expenses paid on behalf of the School.

Lease agreement: In 2007, the Lee County Industrial Development Authority (the "Authority") issued \$ 80,520,000 in Tax Exempt Industrial Development Revenue Bonds, Series 2007A and \$ 1,645,000 in Taxable Industrial Development Revenue Bonds, Series 2007B pursuant to an indenture of trust between the Authority and a trustee to make a loan to Lee County Community Charter Schools, LLC (the "LLC") to finance the acquisition of the facilities of four charter schools under the Lee Charter Foundation, Inc. (the "Foundation").

Pursuant to a loan agreement, the Authority loaned the proceeds of the Bonds to the LLC. In order to secure the payment of the principal and interest on the Bonds, the Authority assigned all of its rights and interest in the loan agreement to the trustee. The Bonds are payable from and secured by a lien upon and pledge of payments to be received by the trustee.

Note 11 - Commitments (continued)

The School leases its facility from the LLC (Note 8). The lease payments and term of the lease are based on the debt service requirements of the bonds. These payments are made from revenues received from the School District of Lee County for the operation of the schools. The Foundation is obligated under the indenture to deposit all revenues received from the School District and additional revenues, if any, directly with the trustee during the term of the lease. The payments are applied by the trustee to make sinking fund payments and pay for operating expenses.

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

Note 12 - Risk Management

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

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

Note 13 - Capital Appropriations Funding

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes those funds are allocated among eligible charter schools. The funds for the School's allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring district. The School's CSCO Award totaled \$ 501,250 for the 2022/2023 school year which has been recognized as revenue in the accompanying basic financial statements. If the CSCO funds are used to acquire tangible property assets, the School District has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School District. The School has elected to use these funds to pay interest expense of the lease of the facility and for operation of plant.

Note 14 - Transfer Out

In 2007, a majority of the schools governed by Southwest Charter Foundation, Inc. were involved in a bond issuance for the financing and acquisition of facilities for the schools to occupy (Note 11). The schools pay amounts under the indenture of trust which are considered their portion of the principal and interest payments on the Bonds. There is a "Transfer Out" of \$ 65,413 in the statement of activities and the statement of revenues, expenditures and change in fund balance. At year end, based on student enrollment, debt service payments are reallocated through a "Transfer In/Out" to the other schools that are part of the Lee County Community Charter Schools, LLC.

OTHER INDEPENDENT AUDITOR'S REPORTS



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

To the Board of Directors
Mid Cape Global Academy
A Department of Southwest Charter Foundation, Inc.
Cape Coral, 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 Mid Cape Global Academy (the "School"), a Department of Southwest Charter Foundation, Inc., and a component unit of the School District of Lee County, Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 7, 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 7, 2023

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Mid Cape Global Academy
A Department of Southwest Charter Foundation, Inc.
Cape Coral, Florida

Report on the Financial Statements

We have audited the basic financial statements of Mid Cape Global Academy (the "School"), formerly known as Cape Coral Charter School, a Department of Southwest Charter Foundation, Inc. and a component unit of the School District of Lee County, Florida, as of and for the year ended June 30, 2023, and have issued our report thereon dated September 7, 2023.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 7, 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 recommendations made in the preceding audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and 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 are Mid Cape Global Academy and 364111.

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Financial Condition and Management

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

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

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

Transparency

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

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 7, 2023