

Palm Beach Preparatory Charter Academy

A Division of NorthStar Academies, Inc.
Basic Financial Statements
and Additional Information
For the Year Ended June 30, 2024

Palm Beach Preparatory Charter Academy

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Palm Beach Preparatory Charter Academy
Palm Springs, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Palm Beach Preparatory Charter Academy (the "School"), a division of NorthStar Academies, Inc., as of and for the year ended June 30, 2024, 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, 2024, 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 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 Matters

Division Financials

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 NorthStar Academies, Inc. that are attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of NorthStar Academies, Inc. as of June 30, 2024 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Correction of an Error

As discussed in Note 14 to the financial statements, the School corrected an error in previously issued financial statements related to the recognition of deferred revenues. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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.

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 and the budgetary comparison schedules for the General Fund and Special Revenue Fund on pages 24 and 25 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 November 6, 2024, 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.

Fort Lauderdale, Florida
November 6, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Palm Beach Preparatory Charter Academy (the "School"), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2024, with comparative information for the year ended June 30, 2023.

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

The following are the highlights of financial activity for the year ended June 30, 2024:

- The School's total assets exceeded its liabilities at June 30, 2024, by \$ 4,885,598 (net position).
- The School's total revenues were \$ 8,651,021, \$ 5,537,989 from FTE revenues, \$ 2,080,441 from referendum revenues, \$ 1,017,248 from operating and capital grants and contributions, and \$ 15,343 from miscellaneous revenues. The School's expenses for the year were \$ 7,530,722. Net position for the year increased by \$ 1,120,299.

Overview of the Financial Statements

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

Government-wide financial statements: The government-wide 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 presents information on all the School's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the components reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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

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

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

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the basic government-wide 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 year. Such information may be useful in evaluating the School's near-term financing requirements.

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

The School maintains several individual governmental funds. The General Fund, Special Revenue Fund, and Capital Projects Fund are considered to be the School's major funds.

The School adopts an annual budget for its governmental funds, except for the Capital Projects Fund. A budgetary comparison statement has been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budget.

The governmental funds financial statements can be found on pages 11 through 14 of this report.

Notes to basic financial statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 23 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's General Fund and Special Revenue Fund adopted budget to actual results. Required supplementary information can be found on pages 24 and 25 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the School, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 4,885,598 at the close of the most recent fiscal year. As described in Note 14 to the financial statements, management identified an error in the 2023 financial statements. Amounts for comparison below have been adjusted for the effects of this correction.

Palm Beach Preparatory Charter Academy Net Position			
	2024	2023	Variance
Current and Other Assets	\$ 4,608,422	\$ 3,770,975	\$ 837,447
Capital Assets, net	3,444,761	1,242,523	2,202,238
Total assets	8,053,183	5,013,498	3,039,685

**Palm Beach Preparatory Charter Academy
Management's Discussion and Analysis
June 30, 2024**

Government-Wide Financial Analysis (continued)

Palm Beach Preparatory Charter Academy Net Position (continued)			
	<u>2024</u>	<u>2023</u>	<u>Variance</u>
Current Liabilities	567,716	452,677	115,039
Noncurrent Liabilities	<u>2,599,869</u>	<u>795,522</u>	<u>1,804,347</u>
Total liabilities	<u>3,167,585</u>	<u>1,248,199</u>	<u>1,919,386</u>
Net Position:			
Net investment in capital assets	532,530	80,807	451,723
Restricted	835,693	647,650	188,043
Unrestricted	<u>3,517,375</u>	<u>3,036,842</u>	<u>480,533</u>
Total net position	<u>\$ 4,885,598</u>	<u>\$ 3,765,299</u>	<u>\$ 1,120,299</u>

Current and other assets rose due to an increase in the School's cash position. Capital assets, net of depreciation, increased due to the extension of the building lease resulting in a higher lease asset balance, \$ 16,957 of equipment, and \$ 49,914 of construction in progress, offset by current year depreciation and amortization of \$ 446,808. Current liabilities increased due to higher balances in both accounts payable and accrued liabilities. Noncurrent liabilities increased as a result of the related lease payable extension.

Governmental activities: The School's overall net position increased \$ 1,120,299 from the prior fiscal year. The reasons for this overall increase are discussed in the following section for governmental activities.

Palm Beach Preparatory Charter Academy Changes in Net Position			
	<u>2024</u>	<u>2023</u>	<u>Variance</u>
Revenues:			
General revenues:			
FTE nonspecific revenues	\$ 5,537,989	\$ 4,480,368	\$ 1,057,621
Referendum revenues	2,080,441	647,650	1,432,791
Miscellaneous revenues	15,343	489,313	(473,970)
Program revenues:			
Operating grants and contributions	403,641	463,801	(60,160)
Capital grants and contributions	<u>613,607</u>	<u>394,158</u>	<u>219,449</u>
Total revenues	<u>8,651,021</u>	<u>6,475,290</u>	<u>2,175,731</u>

**Palm Beach Preparatory Charter Academy
Management's Discussion and Analysis
June 30, 2024**

Governmental activities (continued)

Palm Beach Preparatory Charter Academy Changes in Net Position (continued)			
	<u>2024</u>	<u>2023</u>	<u>Variance</u>
Expenses:			
Governmental activities:			
Instruction	\$ 1,565,897	\$ 1,211,261	\$ 354,636
Administrative services	1,028,866	362,816	666,050
Instructional support services	937,542	773,758	163,784
Plant operations and maintenance	2,370,775	1,464,499	906,276
Student transportation	42,000	40,250	1,750
Operation of non-instructional services:			
Fiscal services	1,496,354	1,125,182	371,172
Interest expense	89,288	74,308	14,980
Total expenses	<u>7,530,722</u>	<u>5,052,074</u>	<u>2,478,648</u>
Change in net position	1,120,299	1,423,216	(302,917)
Net position - beginning	<u>3,765,299</u>	<u>2,342,083</u>	<u>1,423,216</u>
Net position - ending	<u>\$ 4,885,598</u>	<u>\$ 3,765,299</u>	<u>\$ 1,120,299</u>

General revenues, compared to the previous year, increased due to an increase in enrollment of 76 students and in referendum funding; additionally, program revenues increased as well due to overall increase in grant funding. Total expenses increased due to facility cost increases and other administrative costs.

Financial Analysis of Governmental Funds

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$ 3,475,799, while the total fund balance increased to \$ 4,323,473. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 38% of total General Fund expenditures, while total fund balance represents 48% of that same amount.

The fund balance of the School's General Fund increased by \$ 638,981, which was primarily attributable to the increase in the student population during the current fiscal year.

The Special Revenue Fund has a decrease in fund balance during the current fiscal year due to a delay of cash receipts of certain grant funding.

The Capital Projects Fund does not have an increase or decrease in fund balance during the fiscal year as this fund reports state expense reimbursement grants specifically for the operating facility.

Capital Asset and Debt Administration

Capital assets: At June 30, 2024, the School had capital assets of \$ 3,444,761 net of accumulated depreciation and amortization, invested in a leased building, construction in progress, furniture and computer equipment, and leasehold improvements. Capital asset additions for the year included an extension of the leased building, CIP of \$ 49,914, and equipment for \$ 16,957. Additional information on the School's capital assets can be found in Note 5 to the financial statements.

Long-term debt: At June 30, 2024, the School had outstanding debt of \$ 2,912,231 as compared to \$ 1,161,716 at June 30, 2023. Additional information on the School's debt can be found in Note 6 to the financial statements.

General Fund Budgetary Highlights

The School amended the General Fund original budget to recognize certain changes in unexpected funding as well as expenditures related to those additional revenues and other administrative costs. State revenues were more than originally budgeted, mainly due to the unexpected increase in the student population. Amounts that varied for expenditures and other financing sources were a result of a lease that was extended. See page 24 for budget to actual comparisons detail.

Economic Factors and Next Year's Budget

For the fiscal year 2025, the funding for teacher salaries and other instructional personnel will be \$1.25 billion. Additionally, the State of Florida approved an increase to the base funding allocation and capital outlay by approximately 12%. The School expects a moderate increase in the student count resulting in an overall increase in these revenue categories. Conversely, we also expect a decrease in ESSER related grant funding as these COVID era programs are scheduled to expire. Overall, we expect the revenues available to the School for operations to be consistent with fiscal year 2023 – 2024.

Requests for Information

This financial report is designed to provide a general overview of Palm Beach Preparatory Charter Academy's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to EdisonLearning, Inc.; One Broward Boulevard, Suite 1599, Fort Lauderdale, FL 33301.

BASIC FINANCIAL STATEMENTS

Palm Beach Preparatory Charter Academy
Statement of Net Position
June 30, 2024

Current Assets:

Cash	\$ 4,141,123
Due from government agencies	455,318
Prepays	<u>9,604</u>
Total current assets	<u>4,606,045</u>

Noncurrent Assets:

Deposits and other assets	2,377
Capital assets:	
Nondepreciable	110,080
Depreciable, net of accumulated depreciation and amortization	<u>3,334,681</u>
Total noncurrent assets	<u>3,447,138</u>
Total assets	<u>8,053,183</u>

Current Liabilities:

Accounts payable	196,683
Accrued liabilities	58,671
Lease payable	<u>312,362</u>
Total current liabilities	<u>567,716</u>

Noncurrent Liabilities:

Lease payable	<u>2,599,869</u>
Total liabilities	<u>3,167,585</u>

Net Position:

Net investment in capital assets	532,530
Restricted referendum funding	835,693
Unrestricted	<u>3,517,375</u>
Total net position	<u>\$ 4,885,598</u>

See accompanying notes to financial statements.

Palm Beach Preparatory Charter Academy
Statement of Activities
For the Year Ended June 30, 2024

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities Net Revenues (Expenses) and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Functions/Programs:					
Governmental activities:					
Regular instruction	\$ 1,565,897	\$ -	\$ 248,945	\$ -	\$ (1,316,952)
Administrative services	1,028,866	-	86,881	-	(941,985)
Instructional support services	937,542	-	67,120	-	(870,422)
Plant operations and maintenance	2,370,775	-	695	613,607	(1,756,473)
Student transportation	42,000	-	-	-	(42,000)
Operation of non-instructional services:					
Fiscal services	1,496,354	-	-	-	(1,496,354)
Interest expense	<u>89,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(89,288)</u>
Total governmental activities	\$ <u>7,530,722</u>	\$ <u>-</u>	\$ <u>403,641</u>	\$ <u>613,607</u>	<u>(6,513,474)</u>
General revenues:					
FTE nonspecific revenues					5,537,989
Referendum revenues					2,080,441
Miscellaneous revenues					<u>15,343</u>
Total general revenues					<u>7,633,773</u>
Change in net position					1,120,299
Net position, July 1, 2023, as restated, Note 14					<u>3,765,299</u>
Net position, June 30, 2024					\$ <u>4,885,598</u>

See accompanying notes to financial statements.

Palm Beach Preparatory Charter Academy
Balance Sheet of Governmental Funds
June 30, 2024

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets:				
Cash	\$ 4,141,123	\$ -	\$ -	\$ 4,141,123
Due from government agencies	223,975	231,343	-	455,318
Due from other funds	231,343	-	-	231,343
Prepays	9,604	-	-	9,604
Deposits and other assets	2,377	-	-	2,377
	<u>4,608,422</u>	<u>231,343</u>	<u>-</u>	<u>4,839,765</u>
Total assets	\$ <u>4,608,422</u>	\$ <u>231,343</u>	\$ <u>-</u>	\$ <u>4,839,765</u>
Liabilities:				
Accounts payable	\$ 196,683	\$ -	\$ -	\$ 196,683
Accrued liabilities	58,671	-	-	58,671
Due to other funds	-	231,343	-	231,343
	<u>255,354</u>	<u>231,343</u>	<u>-</u>	<u>486,697</u>
Total liabilities	<u>255,354</u>	<u>231,343</u>	<u>-</u>	<u>486,697</u>
Deferred Inflows of resources:				
Unavailable revenues	<u>29,595</u>	<u>231,343</u>	<u>-</u>	<u>260,938</u>
Fund Balances:				
Nonspendable:				
Prepays	9,604	-	-	9,604
Deposits and other assets	2,377	-	-	2,377
Restricted for referendum funds	835,693	-	-	835,693
Unassigned (deficit)	3,475,799	(231,343)	-	3,244,456
	<u>4,323,473</u>	<u>(231,343)</u>	<u>-</u>	<u>4,092,130</u>
Total fund balances (deficit)	<u>4,323,473</u>	<u>(231,343)</u>	<u>-</u>	<u>4,092,130</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>4,608,422</u>	\$ <u>231,343</u>	\$ <u>-</u>	\$ <u>4,839,765</u>

See accompanying notes to financial statements.

**Palm Beach Preparatory Charter Academy
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2024**

**Reconciliation of the Balance Sheet - Governmental
 Funds to the Statement of Net Position:**

Governmental fund balances: \$ 4,092,130

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

Capital assets used in governmental activities
 are not financial resources and therefore are
 not reported in the governmental funds.

Cost of capital assets	\$	6,061,717	
Accumulated depreciation and amortization		<u>(2,616,956)</u>	3,444,761

Unavailable revenue in the governmental fund is
 susceptible to full accrual in the government-wide
 statements. 260,938

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.

Lease payable		<u>(2,912,231)</u>	
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Net Position of Governmental Activities	\$	<u><u>4,885,598</u></u>	
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See accompanying notes to financial statements.

**Palm Beach Preparatory Charter Academy
Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
For the Year Ended June 30, 2024**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues:				
State sources	\$ 5,508,394	\$ -	\$ 455,449	\$ 5,963,843
Federal sources	-	276,581	-	276,581
Local sources	<u>2,095,784</u>	<u>-</u>	<u>158,158</u>	<u>2,253,942</u>
Total revenues	<u>7,604,178</u>	<u>276,581</u>	<u>613,607</u>	<u>8,494,366</u>
Expenditures:				
Current:				
Instruction	1,316,952	248,945	-	1,565,897
Instructional support services	839,800	67,120	-	906,920
Student transportation services	42,000	-	-	42,000
Fiscal services	1,496,354	-	-	1,496,354
Plant operations and maintenance	1,498,445	695	455,449	1,954,589
Administrative services	941,985	86,881	-	1,028,866
Capital outlay	2,649,046	-	-	2,649,046
Debt service:				
Principal payments	173,502	-	158,158	331,660
Interest	<u>89,288</u>	<u>-</u>	<u>-</u>	<u>89,288</u>
Total expenditures	<u>9,047,372</u>	<u>403,641</u>	<u>613,607</u>	<u>10,064,620</u>
Deficiency in revenues under expenditures	(1,443,194)	(127,060)	-	(1,570,254)
Other Financing Sources:				
Issuance of lease liability	<u>2,082,175</u>	<u>-</u>	<u>-</u>	<u>2,082,175</u>
Net change in fund balances	638,981	(127,060)	-	511,921
Fund Balances (Deficit), July 1, 2023, as restated, Note 14				
	<u>3,684,492</u>	<u>(104,283)</u>	<u>-</u>	<u>3,580,209</u>
Fund Balances (Deficit), June 30, 2024				
	<u>\$ 4,323,473</u>	<u>\$ (231,343)</u>	<u>\$ -</u>	<u>\$ 4,092,130</u>

See accompanying notes to financial statements.

**Palm Beach Preparatory Charter Academy
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2024**

Net Change in Fund Balances - Governmental Funds \$ 511,921

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

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as a provision for depreciation and amortization.

Capital outlay	\$	2,649,046	
Provision for depreciation and amortization		<u>(446,808)</u>	2,202,238

Revenues that are earned but not received within the availability period are recognized in the statement of activities when earned and subsequently in the governmental fund financial statements when they become available. 156,655

Entering into a lease obligation is recorded as an other source of financing in the governmental funds, but entering into lease obligations increase long-term liabilities in the statement of net position. (2,082,175)

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 331,660

Change in Net Position on the Statement of Activities \$ 1,120,299

See accompanying notes to financial statements.

Note 1 - Organization and Operations

Palm Beach Preparatory Charter Academy (the "School") is a division of NorthStar Academies, Inc. (the "Entity"). The School commenced operations in July 2011 and offers classes for high school students in Palm Beach County, Florida. An average of approximately 666 students were enrolled in classes for the school year that ended in June 2024.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of NorthStar Academies, Inc. as of June 30, 2024, and the changes in its financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring school district, the School Board of Palm Beach County, Florida (the "School Board"). The charter was renewed for ten years and is effective until June 30, 2032. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter in which case the School Board 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 Board may also terminate the charter if good cause is shown.

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 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 financial statements.

Basis of presentation: The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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 reports the following major governmental funds:

- **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.
- **Special Revenue Fund** – This fund is used to account for federal grants that are legally restricted to expenditures for particular purposes.
- **Capital Projects Fund** – This fund is used to account for state capital outlay funding that is legally restricted to expenditures for particular purposes.

During the course of operations, the School has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in the governmental fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement focus and basis of accounting: The basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus, and the government-wide statement uses the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both 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 be used to pay liabilities of the current period. For this purpose, the current period is defined as 60 days.

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.

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

- Net investment in capital assets - 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 (if any).

Note 2 - Summary of Significant Accounting Policies (continued)

- 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 will need to be funded by future operations.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then, unrestricted resources as they are needed.

Fund balance: The governmental fund financial statements present fund balances based on the provisions of GAAP which provide clearly defined fund balance classifications to report on the nature and extent to which the School is bound to have constraints on the specific purposes for which amounts in those funds can be spent.

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – consists of amounts that are not in spendable form and of net position that are legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts 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.
- Committed fund balance – consists of amounts that can be used for specific purposes voted on through formal action by the Governing Board (the highest level of decision-making authority). The committed amount cannot be used for any other purpose unless the Board removes or changes the commitment through formal action.
- Assigned fund balance – consists of amounts that the Governing Board intends to use for a specific purpose, but they are neither restricted nor committed.
- Unassigned – represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the School considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the School's governing body or its delegated official or body has provided otherwise in its commitment or assignment actions. The details of the fund balances are included in the Balance Sheet of Governmental Funds.

Cash and cash equivalents: The School considers all demand accounts and short-term investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Note 2 - Summary of Significant Accounting Policies (continued)

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

Due to and due from other funds: Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Capital assets: Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with a cost of \$ 1,000 or more, and a useful life of over one year. Donated capital assets are valued at acquisition value as of the date received. Additions, improvements, and other expenditures that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs for repairs and maintenance are expensed as incurred.

Depreciation and amortization on all assets is provided on the straight-line basis over the shorter of the capital assets estimated useful lives or lease term as follows:

Furniture and equipment	3-5 years
Leasehold improvements	5 years

Right-of-use asset: The School has recorded a right-of-use lease asset as required by GAAP. The right-of-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-of-use asset is amortized on a straight-line basis over the shorter of the useful life or the lease term.

Compensated absences: The School's policy allows employees to carry over unused vacation time during the year. Unused sick leave benefits are not paid upon separation from service. No liability for compensated absences was recorded for the year ending June 30, 2024 due because Management determined that the balance is immaterial.

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

Deferred outflows/inflows of resources: In addition to assets, the statement of net 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 net 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 and so will not be recognized as an inflow of resources (revenue) until that time. The School has recorded deferred inflows representing unavailable revenues in the amount of \$ 260,938.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue recognition: Student funding is provided by the State of Florida through the School Board. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements and is net of a 5% administration fee, for the first 250 students, retained by the School Board. This funding is received on a pro rata basis over a 12-month period and is adjusted for changes in full-time equivalent (FTE) student population.

Grant and contract revenue: Grant and contract revenue is recognized when the allowable costs, as defined by the individual grant or contract, are incurred.

Use of estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Budget: An operating budget is adopted and maintained by the governing board for the General and Special Revenue 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.

The General Fund's expenditures exceeded the budget by \$ 2,563,493, which was covered by the current year revenue earned and other financing sources.

Subsequent events: The School has evaluated subsequent events through November 6, 2024, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 3 - Cash and Cash Equivalents

At June 30, 2024, the carrying amount of the deposits and cash on hand totaled \$ 4,141,123, with a bank balance of \$ 4,155,987.

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 the reporting requirements of the qualified public depositor to the Treasurer is defined by statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should need arise. The School's deposits of \$ 3,904,987, which are in excess of the federal insured level of \$ 250,000, are held in a qualified public depository and are covered by the collateral pool because the School has identified itself as a public entity.

Note 4 - Due from Government Agencies

Due from government agencies at June 30, 2024 consists of amounts due from the School Board for capital outlay, and from the Department of Education for Elementary and Secondary Emergency Assistance Grants (ESSER) and capital outlay funds.

Palm Beach Preparatory Charter Academy
Notes to Basic Financial Statements
June 30, 2024

Note 5 - Capital Assets

A summary of changes in governmental capital assets is as follows:

	Balance at July 1, 2023	Additions	Retirements	Balance at June 30, 2024
Capital assets not being depreciated/amortized				
Construction in progress	\$ 60,166	\$ 49,914	\$ -	\$ 110,080
Capital assets being depreciated/amortized				
Furniture and equipment	851,203	16,957	-	868,160
Leasehold improvements	390,720	-	-	390,720
Lease asset: Building	<u>2,110,582</u>	<u>2,582,175</u>	<u>-</u>	<u>4,692,757</u>
Total capital assets being depreciated/amortized	<u>3,352,505</u>	<u>2,599,132</u>	<u>-</u>	<u>5,951,637</u>
Accumulated depreciation/amortization:				
Furniture and equipment	807,383	30,623	-	838,006
Leasehold improvements	307,472	21,865	-	329,337
Lease asset: Building	<u>1,055,293</u>	<u>394,320</u>	<u>-</u>	<u>1,449,613</u>
Total accumulated depreciation/amortization	<u>2,170,148</u>	<u>446,808</u>	<u>-</u>	<u>2,616,956</u>
Net capital assets	<u>\$ 1,242,523</u>	<u>\$ 2,202,238</u>	<u>\$ -</u>	<u>\$ 3,444,761</u>

The provision for depreciation and amortization for the year ended June 30, 2024 amounted to \$ 446,808. The School allocated \$ 52,488, 12%, of the depreciation and amortization to instructional support services and \$ 394,320, 88%, to the operation of the facility.

As part of the School's charter contract, all capital assets purchased with public funds will automatically revert to the School Board upon the non-renewal or termination of this contract.

Note 6 - Lease

The School extended its existing facility lease, which is now effective through July 31, 2032. The lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the commencement date of December 15, 2023. As a result, the related leased asset and lease liability increased based on the new payment schedule and discount rate. The discount rate used to recognize the intangible right-of-use asset and the lease liability was 3.92%.

The following is a schedule of the School's future base rent payments as of June 30, 2024:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 312,362	\$ 108,587	\$ 420,949
2026	324,828	96,120	420,948
2027	337,793	83,155	420,948
2028	351,275	69,673	420,948
2029	365,295	55,653	420,948
2030-2033	<u>1,220,678</u>	<u>77,245</u>	<u>1,297,923</u>
	<u>\$ 2,912,231</u>	<u>\$ 490,433</u>	<u>\$ 3,402,664</u>

Note 6 - Lease (continued)

The lease activity of the year ended June 30, 2024, are as follows:

	Balance at July 1, 2023	Additions	Retirements	Balance at June 30, 2024	Amount Due Within One Year
Lease - building	\$ <u>1,161,716</u>	\$ <u>2,082,175</u>	\$ <u>331,660</u>	\$ <u>2,912,231</u>	\$ <u>312,362</u>

Note 7 - Contingencies and Commitments

Management agreement: The School operates under a management agreement with EdisonLearning, Inc. (“Edison”), which is a third-party education service provider. The contract provided for assisting the School in the performance of various administrative, operating, and financial duties. The management agreement’s term was for five academic school years beginning with the 2011-2012 school year and was renewed through the 2025-2026 school year to be concurrent with the Charter with the School Board of Palm Beach County, Florida. The agreement provided for an additional five- year term or such periods that are consistent with the Charter contract term. In exchange for the aforementioned services, the Board of Directors of the School agreed on a fee annually contained in their budget. For the year ended June 30, 2024, management fee expense totaled approximately \$ 1,397,000.

Post-retirement benefits: The School offers the opportunity to participate in its defined contribution 403(b) plan to eligible employees. The School did not make a contribution to the plan for the year ended June 30, 2024.

Note 8 - 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 board. The School’s CSCO Award totaled \$ 455,449 for the 2023/2024 school year which has been recognized as revenue in the accompanying financial statements. If the CSCO funds are used to acquire tangible property assets, the School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School Board. The School has elected to use these funds to pay a portion of the interest expense on the lease.

Local Capital Improvement Revenue (LCIR) funds are also appropriated by the School Board for charter school capital outlay purposes, with funds being allocated among eligible charter schools in a similar manner to the CSCO Award. The School’s LCIR Award totaled \$ 158,158 for the 2023/2024 school year which has been recognized as revenue in the accompanying financial statements.

Note 9 – Related Party

The School is related to NorthStar Academies, Inc. (the “Entity”) as they are reported and presented as a division of the Entity in these financial statements. During the year, the Entity levied an administrative charge to its schools to ensure that there are sufficient funds to cover its administrative services and satisfy its obligations incurred in operating the schools. The total amount paid to the Entity for the year ended June 30, 2024 was \$ 687,972.

Note 10 - Income Taxes

The School is a division of a nonprofit corporation that qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Note 11 - Risk Financing

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 have been no claims in excess of insurance coverage limits during the current year.

Note 12 - Deficit Fund Balance

The School’s special revenue fund shows a deficit of \$ 231,343 at June 30, 2024. This is the result of certain grant revenues not being received within sixty days of year end and thus are presented as deferred inflows of resources. This deficit is expected to be eliminated once these funds are received.

Note 13 - Referendum Settlement

In 2018, the voters of Palm Beach County approved a Referendum allowing the Palm Beach County School Board (“the School Board”) to levy an ad valorem tax for fiscal years July 1, 2019, through June 30, 2023, to enhance funding for school resource officers, hire school security staff, increase compensation to recruit and retain highly qualified district teachers. The School Board previously levied and distributed all revenue generated pursuant to the 2018 Referendum to non-public schools for 2019-2023 school years.

The School filed an action against the School Board asserting that the School Board breached its contractual obligation to pay the School their proportionate share of the 2018 Referendum Levy. In March 2024, the Florida Commissioner of Education directed a Memorandum to the Florida State Board of Education, finding probable cause that the School Board was not in compliance with Florida law as a result of not sharing revenues generated by the 2018 Referendum. A settlement was reached between the School Board and the School. For the year ended June 30, 2024, the School recognized \$ 2,080,441 of Referendum revenues which included \$ 960,531 related to this settlement.

Note 14 - Prior Period Adjustment

During the year ended June 30, 2024, the School’s management found that an unearned revenue balance was not recognized as revenue in the June 30, 2023 financial statements. Consequently, the beginning net position and General Fund balance was restated, increasing it by \$ 647,650. The change in net position and fund balance for the year ended June 30, 2023, had the error not occurred, would have been \$ 3,765,299 and \$ 3,684,492, respectively.

Below is a summary of the correction as of July 1, 2023:

	Net Position				Current Liabilities
	Net Investment in Capital Assets	Restricted	Unrestricted	Total	Unearned Revenues
Balances, as previously reported	\$ 80,807	\$ -	\$ 3,036,842	\$ 3,117,649	\$ 647,650
Adjustment as noted above	-	647,650	-	647,650	(647,650)
Balances, as restated	<u>\$ 80,807</u>	<u>\$ 647,650</u>	<u>\$ 3,036,842</u>	<u>\$ 3,765,299</u>	<u>\$ -</u>

	Governmental Fund balances				Liabilities
	Nonspendable	Restricted	Unassigned	Total	Unearned Revenues
General Fund:					
Balances, as previously reported	\$ 48,543	\$ -	\$ 2,988,299	\$ 3,036,842	\$ 647,650
Adjustment as noted above	-	647,650	-	647,650	(647,650)
Balances, as restated	48,543	647,650	2,988,299	3,684,492	-
Special Revenue Fund:	-	-	(104,283)	(104,283)	-
Capital Projects Fund:	-	-	-	-	-
Total Fund Balances, as restated	<u>\$ 48,543</u>	<u>\$ 647,650</u>	<u>\$ 2,884,016</u>	<u>\$ 3,580,209</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY
INFORMATION

**Palm Beach Preparatory Charter Academy
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State sources	\$ 4,615,374	\$ 5,508,394	\$ 5,508,394	\$ -
Local sources	<u>305,276</u>	<u>2,095,784</u>	<u>2,095,784</u>	<u>-</u>
Total revenues	<u>4,920,650</u>	<u>7,604,178</u>	<u>7,604,178</u>	<u>-</u>
Expenditures:				
Current:				
Instruction	1,558,015	1,316,952	1,316,952	-
Instructional support services	759,391	870,422	839,800	30,622
Student transportation services	44,625	42,000	42,000	-
Fiscal services	1,089,673	1,496,354	1,496,354	-
Plant operations and maintenance	1,084,551	1,674,392	1,498,445	175,947
Administrative services	322,636	941,985	941,985	-
Capital outlay:				
Equipment and improvements	51,682	52,486	2,649,046	(2,596,560)
Debt service:				
Principal payments	-	-	173,502	(173,502)
Interest	<u>-</u>	<u>89,288</u>	<u>89,288</u>	<u>-</u>
Total expenditures	<u>4,910,573</u>	<u>6,483,879</u>	<u>9,047,372</u>	<u>(2,563,493)</u>
Excess (deficiency) in revenues over (under) expenditures	10,077	1,120,299	(1,443,194)	(2,563,493)
Other Financing Sources:				
Issuance of lease liability	<u>-</u>	<u>-</u>	<u>2,082,175</u>	<u>2,082,175</u>
Net change in fund balance	<u>\$ 10,077</u>	<u>\$ 1,120,299</u>	<u>\$ 638,981</u>	<u>\$ (481,318)</u>

**Palm Beach Preparatory Charter Academy
 Budgetary Comparison Schedule - Special Revenue Fund
 For the Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Emergency and Secondary Emergency Assistance Grants (ESSER)	\$ 134,376	\$ 134,376	\$ 134,376	\$ -
Title 1	142,205	142,205	142,205	-
IDEA grant	23,934	25,449	-	(25,449)
	<u>300,515</u>	<u>302,030</u>	<u>276,581</u>	<u>(25,449)</u>
Total revenues				
Expenditures:				
Current:				
Instruction	248,945	248,945	248,945	-
Instructional support services	67,120	67,120	67,120	-
Plant operations and maintenance	695	695	695	-
Administrative services	86,881	86,881	86,881	-
	<u>403,641</u>	<u>403,641</u>	<u>403,641</u>	<u>-</u>
Total expenditures				
Net change in fund balance	\$ <u>(103,126)</u>	\$ <u>(101,611)</u>	\$ <u>(127,060)</u>	\$ <u>(25,449)</u>

OTHER 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
Palm Beach Preparatory Charter Academy
Palm Springs, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Palm Beach Preparatory Charter Academy (the "School"), a division of NorthStar Academies, Inc., as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 6, 2024.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.

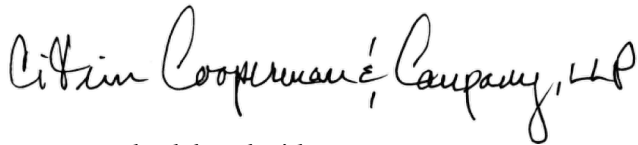
Report on Compliance and Other Matters

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*.

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Fort Lauderdale, Florida
November 6, 2024

MANAGEMENT LETTER REQUIRED BY CHAPTER 10.850 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Directors
Palm Beach Preparatory Charter Academy
Palm Springs, Florida

Report on the Financial Statements

We have audited the financial statements of Palm Beach Preparatory Charter Academy (the "School"), Florida, as of and for the fiscal year ended June 30, 2024, and have issued our report thereon dated November 6, 2024.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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 November 6, 2024, 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 financial audit report. There were no findings or recommendations made in the preceding financial 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 of the entity are Palm Beach Preparatory Charter Academy and 503971.

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 have a recommendation and it is noted on the accompanying Schedule of Findings and Responses on page 30.

Transparency

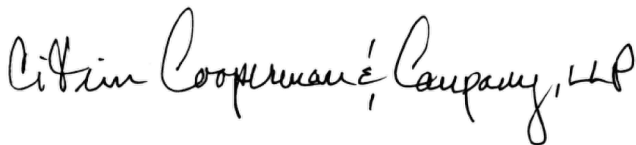
Section 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with 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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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.



Fort Lauderdale, Florida
November 6, 2024

**PALM BEACH PREPARATORY CHARTER ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2024**

Finding 2024-001: Material Weakness – Error Correction

Criteria: The financial statements of the School should properly recognize all revenues in accordance with U.S. GAAP.

Condition: During the year ended June 30, 2024, management of the School determined that the net position and fund balance of the general fund was understated by \$ 647,650 because of an error recognizing deferred revenues. The deferred revenues were nonspecific revenues that were to be recognized in the prior year and were subject only to purpose restrictions.

Cause: Internal controls related to identifying the balance were not properly designed, and therefore the error was not found upon review of the financial statements.

Effect: Net position and fund balance for the general fund was \$ 647,650 less than it should have been resulting in a prior period adjustment to net position and general fund balance in the June 30, 2024 financial statements.

Recommendation: The School should enhance their internal controls regarding the recognition of nonspecific revenues by ensuring proper reconciliation upon review of the financial statements.

View of Responsible Officials: We agree with the recommendation above and have corrected this error. All other balances have been reconciled and agree with our records.