

# Innovation Preparatory Academy of Naples

A Department of Southwest Charter  
Foundation, Inc.

(A Component Unit of the School  
District of Collier County, Florida)

Basic Financial Statements  
For the Year Ended June 30, 2025

# Innovation Preparatory Academy of Naples

## Table of Contents

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Independent Auditor's Report 1-3

Management's Discussion and Analysis (Not Covered by  
Independent Auditor's Report) 4-8

### Basic Financial Statements

#### Government-wide Financial Statements:

Statement of Net Position (Deficit) 9

Statement of Activities 10

#### Fund Basic Financial Statements:

Balance Sheet - Governmental Funds 11

Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Position (Deficit) 12

Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds 13

Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities 14

Notes to Basic Financial Statements 15-25

### Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual - General Fund 26

Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual - Grants Fund 27

### 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* 28-29

Management Letter Required by Chapter 10.850 of the Rules of the  
Auditor General of the State of Florida 30-31



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Innovation Preparatory Academy of Naples  
Naples, 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 the Innovation Preparatory Academy of Naples (the "School"), a Department of Southwest Charter Foundation, Inc. and a component unit of the School Board of Collier County, Florida, as of and for the year ended June 30, 2025, 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, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 changes 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, 2025 or its changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Responsibilities of Management for the Financial Statements

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

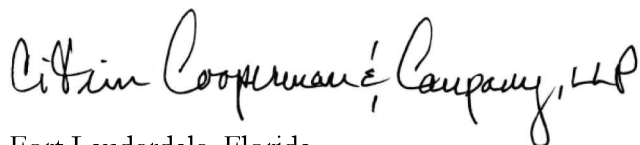
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### 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 on pages 26 and 27 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 GAAS, 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 August 28, 2025, 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  
August 28, 2025

# MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Innovation Preparatory Academy of Naples (the "School"), a Department of Southwest Charter Foundation, Inc. and a component unit of the School District of Collier County, Florida, we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2025 and 2024.

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

### **Financial Highlights**

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

- As of June 30, 2025, the School's fund balances were \$2,800,367 as compared to \$2,679,473 at June 30, 2024.
- As of June 30, 2025, the School has net position (deficit) of \$(2,727,615), as compared to \$(2,703,600) as of June 30, 2024.

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

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

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

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

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

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

The School adopts an annual budget for its governmental funds except for the Capital Project Fund and 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 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 basic financial statements can be found on pages 15 through 25 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,727,615 at the close of the most recent fiscal year.

**Innovation Preparatory Academy of Naples  
Management's Discussion and Analysis  
June 30, 2025**

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

Innovation Preparatory Academy of Naples Net Position (Deficit)			
	June 30, 2025	June 30, 2024	Variance
<b>Assets:</b>			
Current and other assets	\$ 3,235,277	\$ 3,272,076	\$ (36,799)
Capital assets, net	14,354,975	14,845,108	(490,133)
Total assets	<u>17,590,252</u>	<u>18,117,184</u>	<u>(526,932)</u>
<b>Liabilities:</b>			
Current liabilities	955,229	1,077,422	(122,193)
Noncurrent liabilities	19,362,638	19,743,362	(380,724)
Total liabilities	<u>20,317,867</u>	<u>20,820,784</u>	<u>(502,917)</u>
<b>Net Position (Deficit):</b>			
Net investment in capital assets	(3,879,721)	(3,759,036)	(120,685)
Restricted	310,084	303,614	6,470
Unrestricted	842,022	751,822	90,200
Total net position (deficit)	<u>\$ (2,727,615)</u>	<u>\$ (2,703,600)</u>	<u>\$ (24,015)</u>

Current and other assets decreased mainly due to the decrease in the School's due from other governments. Capital assets, net of depreciation decreased mainly due to the current year's depreciation expense of approximately \$534,100 offset by purchase of new assets of \$44,000. Current liabilities decreased due to the reduction in payables to the management company. Noncurrent liabilities decreased due to principal payments made on the School's bonds payable.

**Governmental Activities:** The School's overall net position (deficit) decreased \$ 24,105 from the prior fiscal year. The reasons for this overall decrease are discussed in the following section for governmental activities.

Innovation Preparatory Academy of Naples Change in Net Position (Deficit)			
	June 30, 2025	June 30, 2024	Variance
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 265,491	\$ 465,400	\$ (199,909)
Operating grants and contributions	458,649	1,253,390	(794,741)
Capital grants and contributions	958,381	634,097	324,284
<b>General revenues:</b>			
FTE and other nonspecific revenues	6,098,410	6,195,709	(97,299)
Contributions	641	-	641
Interest income	131,784	139,316	(7,532)
Miscellaneous income	-	6,727	(6,727)
Total revenues	<u>\$ 7,913,356</u>	<u>\$ 8,694,639</u>	<u>\$ (781,283)</u>

**Innovation Preparatory Academy of Naples  
Management's Discussion and Analysis  
June 30, 2025**

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**Governmental Activities (continued):**

	June 30, 2025	June 30, 2024	Variance
Functions/Program Expenses:			
Instruction	\$ 2,385,508	\$ 2,403,632	\$ (18,124)
Student support services	318,641	408,214	(89,573)
Instructional and current development services	24,589	10,214	14,375
Instructional staff training services	49,526	41,905	7,621
Instruction related technology	157,805	124,708	33,097
Board	70,496	64,284	6,212
School administration	500,060	801,135	(301,075)
Fiscal services	861,091	1,416,454	(555,363)
Food services	269,798	252,244	17,554
Central services	139,966	140,903	(937)
Transportation	184,967	179,935	5,032
Operation of plant	1,264,187	1,128,256	135,931
Maintenance of plant	339,937	300,616	39,321
Community services	79,205	79,458	(253)
Extracurricular activities	78,517	85,628	(7,111)
Interest on long-term debt	1,213,078	1,233,950	(20,872)
Total	<u>7,937,371</u>	<u>8,671,536</u>	<u>(734,165)</u>
Change in net position	(24,015)	23,103	(47,118)
Net position (deficit)-beginning	<u>(2,703,600)</u>	<u>(2,726,703)</u>	<u>23,103</u>
Net position (deficit)-ending	<u>\$ (2,727,615)</u>	<u>\$ (2,703,600)</u>	<u>\$ (24,015)</u>

Program revenues decreased due to a decrease in grant funding which was offset by an increase in capital outlay funding. Total expenses primarily decreased due to decreases in school administration costs and fiscal services.

**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 \$831,599, while total fund balance increased to \$2,745,293. 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 13% of total General Fund expenditures, while total fund balance represents 42% of that same amount.

The fund balance of the School's General Fund increased by \$114,424 during the current fiscal year. The increase was due to monies received from prior year grant expenditures.

The Grants Fund does not have an increase or decrease in fund balance during the fiscal year as this fund reports federal and certain state expense reimbursement grants.

**Innovation Preparatory Academy of Naples  
Management's Discussion and Analysis  
June 30, 2025**

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The Capital Project Fund does not have an increase or decrease in fund balance during the year since this fund reports state and local capital outlay funding that is used to cover a portion of interest expense.

The Club and Activities Fund had an increase in fund balance during the current fiscal year due to additional revenue for extracurricular activities.

### **Capital Assets and Debt Administration**

**Capital assets:** At June 30, 2025, the School had capital assets of \$14,354,975 net of accumulated depreciation and amortization, invested in buildings, lease assets - land, computer equipment, furniture, fixtures and equipment. Major capital assets additions for the year included \$43,993 for computer equipment and furniture, fixtures and equipment. Additional information on the School's capital assets can be found in Note 7 of this report.

**Debt:** At June 30, 2025, the School had outstanding debt of \$19,739,042 as compared to \$20,108,490 at June 30, 2024. The decrease is a result of scheduled debt payments in accordance with the Bond Indenture. Additional information on the School's debt can be found in Notes 8 through 10 of this report.

### **General Fund Budgetary Highlights**

State source revenues had a decrease relative to the budget. Local source revenues increased relative to the budget due to charges for services. Expenditures had a decrease relative to the budget.

### **Economic Factors and Next Year's Budget**

In fiscal year 2025, the State of Florida continued to include a teacher salary increase allocation of \$ 1.25 billion. The capital outlay funding pool ended up at \$ 230 million.

For fiscal year 2026, the funding for teacher salaries and other instructional personnel will be \$ 1.36 billion. 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 the 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

**Innovation Preparatory Academy of Naples**  
**Statement of Net Position (Deficit)**  
**June 30, 2025**

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	<b>Governmental Activities</b>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 1,221,807
Due from other governments	4,584
Other receivables	94,672
Due from related party	516
Prepaid items	14,509
Deposits	57,083
Restricted investments	<u>337,760</u>
Total current assets	<u>1,730,931</u>
<b>Noncurrent Assets:</b>	
Restricted investments	1,504,346
Capital assets (depreciable and amortizable), net of accumulated depreciation and amortization	<u>14,354,975</u>
Total noncurrent assets	<u>15,859,321</u>
Total assets	<u>17,590,252</u>
<b>Current Liabilities:</b>	
Accounts payable and accrued expenses	17,127
Accrued interest payable	109,530
Salaries and wages payable	202,527
Due to related parties	4,844
Due to management company	210,412
Compensated absences	25,789
Bonds payable	<u>385,000</u>
Total current liabilities	<u>955,229</u>
<b>Noncurrent Liabilities:</b>	
Compensated absences	8,596
Bonds payable	17,787,404
Lease payable	<u>1,566,638</u>
Total noncurrent liabilities	<u>19,362,638</u>
Total liabilities	<u>20,317,867</u>
<b>Net Position (Deficit):</b>	
Net investment in capital assets	(3,879,721)
Restricted for extracurricular activities	55,074
Restricted for capital projects	255,010
Unrestricted	<u>842,022</u>
Total net position (deficit)	<u>\$ (2,727,615)</u>

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

Innovation Preparatory Academy of Naples  
Statement of Activities  
For the Year Ended June 30, 2025

	<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>Net Revenue (Expense) and Change in Net Position (Deficit)</u>
<b>Functions/Programs:</b>					
Instruction	\$ 2,385,508	\$ -	\$ 66,092	\$ -	\$ (2,319,416)
Student support services	318,641	-	-	-	(318,641)
Instruction and curriculum development services	24,589	-	-	-	(24,589)
Instructional staff training services	49,526	-	28,991	-	(20,535)
Instruction related technology	157,805	-	-	-	(157,805)
Board	70,496	-	-	-	(70,496)
School administration	500,060	-	-	-	(500,060)
Fiscal services	861,091	-	-	-	(861,091)
Food services	269,798	77,809	223,144	-	31,155
Central services	139,966	-	-	-	(139,966)
Transportation	184,967	-	56,628	-	(128,339)
Operation of plant	1,264,187	-	-	-	(1,264,187)
Maintenance of plant	339,937	-	-	-	(339,937)
Community services	79,205	187,682	-	-	108,477
Extracurricular activities	78,517	-	83,794	-	5,277
Interest and fees	1,213,078	-	-	958,381	(254,697)
<b>Total governmental activities</b>	<b>\$ 7,937,371</b>	<b>\$ 265,491</b>	<b>\$ 458,649</b>	<b>\$ 958,381</b>	<b>(6,254,850)</b>
General revenues:					
FTE and other nonspecific revenues					6,098,410
Interest income					131,784
Contributions					641
<b>Total general revenues</b>					<b>6,230,835</b>
<b>Change in net position (deficit)</b>					<b>(24,015)</b>
<b>Net position (deficit), July 1, 2024</b>					<b>(2,703,600)</b>
<b>Net position (deficit), June 30, 2025</b>					<b>\$ (2,727,615)</b>

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

**Innovation Preparatory Academy of Naples**  
**Balance Sheet - Governmental Funds**  
**June 30, 2025**

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Project Fund</u>	<u>Club and Activities Fund</u>	<u>Total</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,167,774	\$ -	\$ -	\$ 54,033	\$ 1,221,807
Other receivables	94,672	-	-	-	94,672
Due from other funds	4,584	-	-	1,041	5,625
Due from other governments	-	4,584	-	-	4,584
Due from related party	516	-	-	-	516
Prepaid items	14,509	-	-	-	14,509
Deposits	57,083	-	-	-	57,083
Restricted investments	<u>1,842,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,842,106</u>
Total assets	<u>\$ 3,181,244</u>	<u>\$ 4,584</u>	<u>\$ -</u>	<u>\$ 55,074</u>	<u>\$ 3,240,902</u>
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 17,127	\$ -	\$ -	\$ -	\$ 17,127
Salaries and wages payable	202,527	-	-	-	202,527
Due to other funds	1,041	4,584	-	-	5,625
Due to related party	4,844	-	-	-	4,844
Due to management company	<u>210,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,412</u>
Total liabilities	<u>435,951</u>	<u>4,584</u>	<u>-</u>	<u>-</u>	<u>440,535</u>
<b>Fund Balances:</b>					
Nonspendable:					
Prepaid items	14,509	-	-	-	14,509
Deposits	57,083	-	-	-	57,083
Restricted for debt service	1,587,096	-	-	-	1,587,096
Restricted for repair and replacement reserves	255,010	-	-	-	255,010
Restricted for extracurricular activities	-	-	-	55,074	55,074
Unassigned	<u>831,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>831,595</u>
Total fund balances	<u>2,745,293</u>	<u>-</u>	<u>-</u>	<u>55,074</u>	<u>2,800,367</u>
Total liabilities and fund balances	<u>\$ 3,181,244</u>	<u>\$ 4,584</u>	<u>\$ -</u>	<u>\$ 55,074</u>	<u>\$ 3,240,902</u>

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

**Innovation Preparatory Academy of Naples**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position (Deficit)**  
**June 30, 2025**

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**Total Fund Balances - Governmental Funds** \$ 2,800,367

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 fund statements. 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	\$	19,278,400	
Accumulated depreciation and amortization		<u>(4,923,425)</u>	14,354,975

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	\$	(34,385)	
Accrued interest payable		(109,530)	
Bonds payable, net		(18,172,404)	
Lease payable		<u>(1,566,638)</u>	<u>(19,882,957)</u>

**Net Position (Deficit) of Governmental Activities** \$ (2,727,615)

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

**Innovation Preparatory Academy of Naples**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2025**

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Project Fund</u>	<u>Club and Activities Fund</u>	<u>Total</u>
<b>Revenues:</b>					
Federal sources	\$ -	\$ 316,379	\$ -	\$ -	\$ 316,379
State sources	6,110,706	1,848	361,823	-	6,474,377
Local sources	122,782	-	596,558	83,794	803,134
Interest income	130,591	-	-	1,193	131,784
Aftercare	187,682	-	-	-	187,682
<b>Total revenues</b>	<u>6,551,761</u>	<u>318,227</u>	<u>958,381</u>	<u>84,987</u>	<u>7,913,356</u>
<b>Expenditures:</b>					
Current:					
Instruction	2,269,287	606	-	-	2,269,893
Student support services	319,473	-	-	-	319,473
Instructional and curriculum development services	24,589	-	-	-	24,589
Instructional staff training services	20,535	28,991	-	-	49,526
Instruction related technology	156,973	-	-	-	156,973
Transportation	184,967	-	-	-	184,967
Board	70,496	-	-	-	70,496
School administration	500,060	-	-	-	500,060
Fiscal services	861,091	-	-	-	861,091
Food services	46,654	223,144	-	-	269,798
Central services	139,966	-	-	-	139,966
Operation of plant	830,779	-	-	-	830,779
Maintenance of plant	339,937	-	-	-	339,937
Community services	79,205	-	-	-	79,205
Extracurricular activities	-	-	-	78,517	78,517
Capital outlay	43,993	-	-	-	43,993
Debt service:					
Principal	370,000	-	-	-	370,000
Interest	244,818	-	958,381	-	1,203,199
<b>Total expenditures</b>	<u>6,502,823</u>	<u>252,741</u>	<u>958,381</u>	<u>78,517</u>	<u>7,792,462</u>
Excess of revenues over expenditures	48,938	65,486	-	6,470	120,894
<b>Other Financing Sources (Uses):</b>					
Transfer in	65,486	-	-	-	65,486
Transfer out	-	(65,486)	-	-	(65,486)
<b>Total other financing sources (uses)</b>	<u>65,486</u>	<u>(65,486)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	114,424	-	-	6,470	120,894
<b>Fund Balances, July 1, 2024</b>	<u>2,630,869</u>	<u>-</u>	<u>-</u>	<u>48,604</u>	<u>2,679,473</u>
<b>Fund Balances, June 30, 2025</b>	<u>\$ 2,745,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,074</u>	<u>\$ 2,800,367</u>

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

**Innovation Preparatory Academy of Naples  
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, 2025**

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**Net Change in Fund Balances - Governmental Funds** \$ 120,894

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

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

Capital outlays	\$ 43,993	
Depreciation and amortization	<u>(534,126)</u>	(490,133)

Principal payments on long-term debt are reported as an expenditure in the governmental funds, but as a reduction of long-term liabilities in the statement of net position (deficit). 370,000

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

Provision for amortization of bond discount	\$ (552)	
Change in compensated absences	(14,897)	
Change in accrued interest payable	<u>(9,327)</u>	<u>(24,776)</u>

**Change in Net Position (Deficit) of Governmental Activities** \$ (24,015)

The accompanying notes to the 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. Innovation Preparatory Academy of Naples (the "School"), formerly known as Collier Charter Academy, is a Department of the Foundation and is established as a charter school for students from kindergarten to eighth grade in Collier County. For the year ended June 30, 2025, the School served students in kindergarten through seventh grade. There were 572 students enrolled for the 2024/2025 school year.

The financial statements of Innovation Preparatory Academy of Naples, a Department of Southwest Charter Foundation, Inc. ("SWCF") and a component unit of the School District of Collier County, Florida, present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of SWCF as of June 30, 2025, and its changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 Collier County School District. The current charter is effective until June 30, 2026. 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. Innovation Preparatory Academy of Naples is considered a component unit of the School District of Collier County, Florida.

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

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

**Basis of presentation:** 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 (deficit) and the statement of activities, present information about the School as a whole.

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

## Note 2 - Summary of Significant Accounting Policies (continued)

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

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

The School's major governmental funds are as follows:

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

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

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

**Club and Activities Fund** - This special revenue fund is used to administer funds raised and earned by the various clubs and activities that are part of the School but restricted for use in the extracurricular activities.

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.

**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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 and twenty days of the end of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source.

**Note 2 - Summary of Significant Accounting Policies (continued)**

All other revenue items are considered to be measurable and available only when cash is received by the School. 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.

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

**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. The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federal insured limit, however, the School's deposits are collateralized in accordance with Chapter 280 of the Florida Statutes (Note 3).

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

**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 equal to or greater than \$750 and useful life of over one year. Donated property and equipment are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Buildings	40 years
Furniture, fixtures and equipment	5 years
Computer equipment	3 years

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

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

## Note 2 - Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period 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 - represents the difference between the cost of capital assets, less accumulated depreciation.
- 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 - the residual portion of net position that does not meet the definition of the other two categories.

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 provides clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

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

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

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

**Budget:** An operating budget is adopted and maintained by the governing board for all governmental funds, except the Capital Project Fund and 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.

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

**Date of Management Review:** The School has evaluated subsequent events through August 28, 2025, which is the date that the financial statements were available to be issued.

**Adoption of new accounting standards:** During the year ended June 30, 2025, the School implemented GASB Statement No. 101, *Compensated Absences*, which revisits the definition and recognition parameters of accrued employee paid time off. The School also implemented GASB Statement No. 102, *Certain Risk Disclosures*, which addresses obligations for governmental entities to disclose a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. There were no changes required to the financials of the School as a result of the adoption of these standards.

**Note 3 - Cash and Cash Equivalents**

At June 30, 2025, the carrying amount of the deposits and cash on hand totaled \$1,221,807 with a bank balance of \$1,226,016.

**Note 3 - Cash and Cash Equivalents (continued)**

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 of \$976,016 in excess of the federal insured level of \$250,000 are held in a qualified public depository and are covered by the collateral pool held in the name of the financial institution’s trust department or agent, but not in the School’s name.

**Note 4 - Interfund Receivables and Payables and Interfund Transfers**

The composition of interfund balances as of June 30, 2025 is as follows:

<u>Due To/From Other Funds</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants Fund	\$ 4,584
Club and Activities Fund	General Fund	<u>1,041</u>
		<u>\$ 5,625</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, 2025 is as follows:

	<u>Transfers In</u>
	General
	<u>Fund</u>
Transfers Out:	
Grants Fund	\$ <u>65,486</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 From/To Related Parties**

Due from/to related parties represents amounts that are due from/to other schools that share common board membership and are Departments of SWCF and amounts that are due from/to SWCF and are expected to be repaid within one year.

**Innovation Preparatory Academy of Naples**  
**Notes to Basic Financial Statements**  
**June 30, 2025**

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**Note 6 - Restricted Investments**

Previously, SWCF issued bonds to finance the acquisition of facilities and equipment for two of their schools, including Innovation Preparatory Academy of Naples (Note 8). The restricted investments of the School are held by the Trustee and are governed by the Bond Indenture. The Bond Indenture authorizes the Trustee to invest in obligations of the United States or any state, obligations issued by a government sponsored agency, U.S. denominated deposit accounts, certificates of deposit and banker’s acceptances, commercial paper, bonds, notes or debentures guaranteed by a corporation, investment agreements with banks, repurchase agreement secured by government obligations, investments in a money market fund and shares in any investment company, money market mutual fund, fixed income mutual fund or exchange traded fund. In accordance with the Bond Indenture, the Trustee has \$1,842,106 invested in a money market fund that is stated at amortized cost which approximates fair value.

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

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

**Note 7 - Capital Assets**

Capital asset balances and activity for the year ended June 30, 2025 are as follows:

	Balance at June 30, 2024	Additions	Transfers	Balance at June 30, 2025
Capital assets being depreciated/ amortized:				
Building	\$ 15,879,000	\$ -	\$ -	\$ 15,879,000
Furniture, fixtures and equipment	792,163	6,831	-	798,994
Computer equipment	996,606	37,162	-	1,033,768
Lease assets:				
Land	<u>1,566,638</u>	<u>-</u>	<u>-</u>	<u>1,566,638</u>
Total capital assets being depreciated/amortized	<u>19,234,407</u>	<u>43,993</u>	<u>-</u>	<u>19,278,400</u>
Accumulated depreciation/ amortization:				
Building	2,646,500	396,975	-	3,043,475
Furniture, fixtures and equipment	734,984	21,760	-	756,744
Computer equipment	859,495	78,958	-	938,453
Lease assets:				
Land	<u>148,320</u>	<u>36,433</u>	<u>-</u>	<u>184,753</u>
Total accumulated depreciation/ amortization	<u>4,389,299</u>	<u>534,126</u>	<u>-</u>	<u>4,923,425</u>
Net capital assets being depreciated/amortized	<u>\$ 14,845,108</u>	<u>\$ (490,133)</u>	<u>\$ -</u>	<u>\$ 14,354,975</u>

**Innovation Preparatory Academy of Naples**  
**Notes to Basic Financial Statements**  
**June 30, 2025**

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**Note 7 - Capital Assets (continued)**

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

Instruction	\$	100,718
Operation of plant		<u>433,408</u>
Total	\$	<u>534,126</u>

**Note 8 - Bonds Payable**

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

Upon the occurrence of an event of default as described in the Bond Indenture, the rate of interest on the Bonds shall be adjusted to bear interest at a rate equal to the rate on the Bonds plus three percent (3%) per annum until such event of default has been cured. In addition, the owners of not less than 25% of the bonds outstanding may declare the principal and interest to be immediately due and payable.

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

Year Ending June 30,	Principal	Interest	Total
2026	\$ 385,000	\$ 1,103,181	\$ 1,488,181
2027	405,000	1,082,990	1,487,990
2028	430,000	1,060,892	1,490,892
2029	455,000	1,034,423	1,489,423
2030	485,000	1,006,348	1,491,348
2031-2035	2,905,000	4,548,260	7,453,260
2036-2040	3,895,000	3,538,895	7,433,895
2041-2045	5,270,000	2,157,652	7,427,652
2046-2047	<u>3,954,550</u>	<u>348,299</u>	<u>4,302,849</u>
	\$ <u>18,184,550</u>	\$ <u>15,880,940</u>	\$ <u>34,065,490</u>

The Bond Indenture requires that the School maintain a school payment coverage ratio of 1.00. As of June 30, 2025, the School is in compliance with this covenant.

**Innovation Preparatory Academy of Naples**  
**Notes to Basic Financial Statements**  
**June 30, 2025**

**Note 9 - Lease Payable**

Concurrent with the Series 2017 Bond issuance (Note 8), Red Apple Development, LLC and subsidiaries (“RAD”) entered into two land lease agreements with SWCF. The land which is owned by RAD is leased by SWCF on behalf of the schools under a 45-year lease. The lease agreement qualifies as other than short-term leases under GAAP and, therefore, has been recorded at the present value of the future minimum lease payments as of the implementation date of July 1, 2020. The discount rate used to recognize the lease asset and the lease liability was 5.75%. For the year ended June 30, 2025, the School incurred interest expense of \$80,676 for this lease payable. In addition to rent, SWCF shall pay to RAD the total cost of ad valorem taxes, assessments and levies imposed upon the premises which totaled \$1,667 for the year ended June 30, 2025.

The following is a schedule of the School’s future base rent payments as of June 30, 2025:

Year Ending June 30,	Principal	Interest	Total
2026	\$ -	\$ 82,290	\$ 82,290
2027	-	83,935	83,935
2028	-	85,614	85,614
2029	-	87,326	87,326
2030	-	89,073	89,073
2031-2035	-	472,810	472,810
2036-2040	-	522,020	522,020
2041-2045	33,100	543,251	576,351
2046-2050	224,093	412,246	636,339
2051-2055	374,874	327,696	702,570
2056-2060	583,687	192,007	775,694
2061-2063	350,884	24,210	375,094
	<u>\$ 1,566,638</u>	<u>\$ 2,922,478</u>	<u>\$ 4,489,116</u>

**Note 10 - Long-Term Liabilities**

Changes in the School’s long-term liabilities for fiscal year ended June 30, 2025, are as follows:

	Balance at July 1, 2024	Additions	Retirements	Amortization	Balance at June 30, 2025	Amount Due Within One Year
Series 2017 Educational Facilities Revenue Bonds, net of unamortized discount of \$ 12,146	\$ 18,541,852	\$ -	\$ 370,000	\$ 552	\$ 18,172,404	\$ 385,000
Lease - land	1,566,638	-	-	-	1,566,638	-
Compensated absences	19,488	14,897 *	-	-	34,385	25,789
	<u>\$ 20,127,978</u>	<u>\$ 14,897</u>	<u>\$ 370,000</u>	<u>\$ 552</u>	<u>\$ 19,773,427</u>	<u>\$ 410,789</u>

\* The change in compensated absences above is a net change for the year.

**Note 11 - Commitments**

**Management agreement:** The School has a formal agreement with Charter Schools USA at Collier, LLC (“CSUSA”) to manage, staff, and operate the School. The agreement expires in June 2026. It will automatically renew for five-year periods unless terminated by either party. The agreement states that CSUSA shall be entitled to cost reimbursements and management fees (the “fee”) for its services, subject to availability of funds. The fee is subordinated to all bond payment requirements (Note 8). The fee ranges from \$1,726,419 for fiscal year 2026 to \$2,565,368 for fiscal year 2046 as defined in the agreement or the budgeted amount approved by the Board of Directors based on enrollment and School performance. Total cost reimbursements and management fees amounted to \$849,826 for the year ended June 30, 2025.

The financial statements reflect a due to management company which totaled \$210,412 at June 30, 2025.

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

**Note 12 - Employee Benefit Plan**

During the year ended June 30, 2025, 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, 2024, the School had forfeitures of \$1,004. For the year ended June 30, 2025, the School contributed a matching amount of \$13,299.

**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 \$ 361,823 for the 2024/2025 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 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 bonds payable.

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 \$596,558 for the 2024/2025 school year which has been recognized as revenue in the accompanying financial statements.

**Note 14 - Risk Management**

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

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

REQUIRED SUPPLEMENTARY  
INFORMATION

**Innovation Preparatory Academy of Naples**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
State sources	\$ 6,979,007	\$ 6,979,007	\$ 6,110,706	\$ (868,301)
Local sources	47,550	47,550	122,782	75,232
Interest income	123,733	123,733	130,591	6,858
Aftercare	254,367	254,367	187,682	(66,685)
	<u>7,404,657</u>	<u>7,404,657</u>	<u>6,551,761</u>	<u>(852,896)</u>
<b>Expenditures:</b>				
Current:				
Instruction	2,909,830	2,909,830	2,269,287	640,543
Student support services	264,017	264,017	319,473	(55,456)
Instruction and curriculum development services	28,890	28,890	24,589	4,301
Instructional staff training services	20,983	20,983	20,535	448
Instruction related technology	155,535	155,535	156,973	(1,438)
Board	39,049	39,049	70,496	(31,447)
School administration	632,344	632,344	500,060	132,284
Fiscal services	861,282	861,282	861,091	191
Food services	-	-	46,654	(46,654)
Central services	147,906	147,906	139,966	7,940
Operation of plant	918,447	918,447	830,779	87,668
Transportation	188,982	188,982	184,967	4,015
Maintenance of plant	217,281	217,281	339,937	(122,656)
Community services	63,355	63,355	79,205	(15,850)
Capital outlay	57,508	57,508	43,993	13,515
Debt service:				
Principal	370,000	370,000	370,000	-
Interest	383,870	383,870	244,818	139,052
	<u>7,259,279</u>	<u>7,259,279</u>	<u>6,502,823</u>	<u>756,456</u>
	145,378	145,378	48,938	(96,440)
<b>Other Financing Sources:</b>				
Transfer in	-	-	65,486	65,486
Net change in fund balance	<u>\$ 145,378</u>	<u>\$ 145,378</u>	<u>\$ 114,424</u>	<u>\$ (30,954)</u>

**Innovation Preparatory Academy of Naples**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - Grants Fund**  
**For the Year Ended June 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Federal sources:				
National School Lunch Program	\$ 264,060	\$ 264,060	\$ 221,296	\$ (42,764)
Title II	-	-	29,106	29,106
Title IV	-	-	490	490
ESSER III	-	-	58,949	58,949
ARP	-	-	6,538	6,538
State sources:				
National School Lunch Program	-	-	1,848	1,848
 Total revenues	 <u>264,060</u>	 <u>264,060</u>	 <u>318,227</u>	 <u>54,167</u>
<b>Expenditures:</b>				
Current:				
Instruction	-	-	606	(606)
Instructional staff training services	-	-	28,991	(28,991)
Food services	250,229	250,229	223,144	27,085
Operation of plant	<u>13,831</u>	<u>13,831</u>	<u>-</u>	<u>13,831</u>
 Total expenditures	 <u>264,060</u>	 <u>264,060</u>	 <u>252,741</u>	 <u>11,319</u>
 Excess of revenues over expenditures	 -	 -	 65,486	 65,486
<b>Other Financing Uses:</b>				
Transfer out	<u>-</u>	<u>-</u>	<u>(65,486)</u>	<u>(65,486)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

**OTHER INDEPENDENT  
AUDITOR'S REPORTS**

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

To the Board of Directors  
Innovation Preparatory Academy of Naples  
Naples, 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 Innovation Preparatory Academy of Naples (the "School"), a Department of Southwest Charter Foundation, Inc. and a component unit of the School Board of Collier County, Florida, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 28, 2025.

**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 have not been identified.

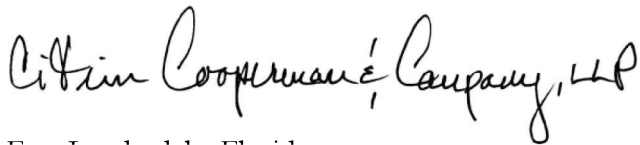
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## Report on Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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  
August 28, 2025

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

To the Board of Directors  
Innovation Preparatory Academy of Naples  
Naples, Florida

### Report on the Financial Statements

We have audited the financial statements of the governmental activities and each major fund of Innovation Preparatory Academy of Naples, Florida, (the "School"), as of and for the fiscal year ended June 30, 2025, and have issued our report thereon dated August 28, 2025.

### 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 August 28, 2025, 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 findings or recommendations made in the preceding annual 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 Innovation Preparatory Academy of Naples and 119036.

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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 conditions 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

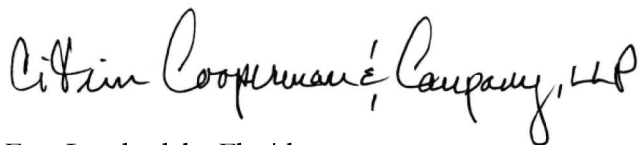
Section 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with 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 fraud, waste, or abuse, that have occurred, or are likely to have occurred, that has 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  
August 28, 2025

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