



**Palm Bay Academy, Inc.**

**W/L #: 6501**

(A Charter School and Component Unit of the  
District School Board of Brevard County, Florida )

Palm Bay, Florida

Financial Statements and  
Independent Auditor's Report

June 30, 2025

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Palm Bay Academy, Inc.  
A Charter School and Component Unit of the  
District School Board of Brevard County, Florida

W/L #: 6501

2112 Palm Bay Rd. NE  
Palm Bay, FL 32905

2024-2025

**BOARD OF DIRECTORS**

Martha Wolf, Chairman, resigned effective May 20, 2025 and Member thereafter  
Brendan Purcell, Chairmen, effective May 20, 2025  
Jeanne Cunningham, Vice President and Secretary  
Margaret Wilson, Member and Treasurer  
Anthony El-Khoury, Member  
Lynette Fodor, Member

**SCHOOL ADMINISTRATION**

Madhu Longani, Director of School Operations



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Palm Bay Academy, Inc.  
Palm Bay, Florida

### *Opinions*

We have audited the accompanying financial statements of the governmental activities and each major fund of Palm Bay Academy, Inc., (the "School"), a charter school and component unit of the District School Board of Brevard 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 accompanying financial statements 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 Palm Bay Academy, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 31 through 32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 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, 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 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 3, 2025

## **Management's Discussion and Analysis** Palm Bay Academy, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida  
June 30, 2025

The corporate officers of Palm Bay Academy, Inc., have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2025.

### **Financial Highlights**

1. The net position of the Charter School as of June 30, 2025 was a deficit of \$(4,512,959).
2. At year-end, the School had current assets on hand of \$1,911,650.
3. The net position of the School decreased by \$758,212 during the year.
4. The unassigned fund balance at year end was \$148,975.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2025 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

#### *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 of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between the four is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10-11 of this report.

#### *Fund Financial Statements*

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the major governmental funds.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 16 – 30 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net position was a deficit of (\$4,512,959) at the close of the fiscal year. A summary of the School's net position as of June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Cash	\$ 326,652	\$ 177,841
Cash, restricted	1,370,924	1,624,489
Prepaid expenses and other assets	9,392	9,392
Due from other agencies	204,682	662,191
Capital and right-of-use assets, net	<u>6,324,636</u>	<u>6,581,213</u>
<b>Total Assets</b>	<u>8,236,286</u>	<u>9,055,126</u>
Deferred Outflows of Resources	<u>1,720,125</u>	<u>1,868,625</u>
Accounts payable and accrued liabilities	333,232	170,166
Accrued interest	85,086	88,705
Line of credit	48,233	54,611
Lease liabilities	52,859	7,132
Bond payable	13,310,000	13,675,000
Loans payable	<u>639,960</u>	<u>682,884</u>
<b>Total Liabilities</b>	<u>14,469,370</u>	<u>14,678,498</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>
<b>Net Position:</b>		
Net investment in capital assets	(7,220,426)	(7,312,513)
Restricted	1,286,732	1,572,711
Unrestricted	<u>1,420,735</u>	<u>1,985,055</u>
<b>Total Net Position</b>	<u>\$ (4,512,959)</u>	<u>\$ (3,754,747)</u>

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2025 and June 30, 2024 follows:

	<u>2025</u>	<u>2024</u>
<b>REVENUES</b>		
Program Revenues		
Federal sources	\$ 650,466	\$ 1,082,204
Capital grants and contributions	631,699	664,184
Charges for services	35,608	19,258
General Revenues		
State and local sources	3,468,230	3,472,920
Other revenue	293,223	105,358
<b>Total Revenues</b>	<u>\$ 5,079,226</u>	<u>\$ 5,343,924</u>
<b>EXPENSES</b>		
Instruction	\$ 2,246,281	\$ 2,012,783
Student support services	-	380
Instructional media	7,154	5,943
Instruction and curriculum	3,119	450
Instructional staff training	943	11,652
Board	3,210	6,418
School administration	804,274	815,956
Facilities acquisition	-	1,982
Fiscal services	25,629	77,183
Food services	489,411	500,940
Central services	21,570	154,903
Transportation	257,890	36,966
Operation of plant	913,060	759,776
Maintenance of plant	22,817	29,265
Administrative technology services	72,494	-
Community services	62,867	23,292
Debt service	906,719	892,608
<b>Total Expenses</b>	<u>5,837,438</u>	<u>5,330,497</u>
Change in Net Position	(758,212)	13,427
Net Position (Deficit) at Beginning of Year	<u>(3,754,747)</u>	<u>(3,768,174)</u>
Net Position (Deficit) at End of Year	<u>\$ (4,512,959)</u>	<u>\$ (3,754,747)</u>

The School's revenues decreased by \$264,698 and expenses increased by \$506,941, respectively. The School had a decrease in its net position of \$758,212 for the year.

### **Capital Improvement Requirements**

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$158,367. The fund balance unassigned and available for spending at the School's discretion is \$148,975. These funds will be available for the School's future ongoing operations.

### **Capital Assets**

The School's investment in capital assets and right of use lease assets as of June 30, 2025 amounts to \$6,324,636 (net of accumulated depreciation and amortization). This investment in capital assets includes land, building and improvements, furniture, fixtures and equipment. As of June 30, 2025, the School had long-term liabilities of associated to its capital assets and right of use assets of \$13,545,063.

## Governmental Fund Budget Analysis and Highlights

Prior to the start of the School’s fiscal year, the Board of the School adopted an annual budget. A budgetary comparison statement has been provided for the governmental.

	Governmental Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Program Revenues			
State capital outlay funding	\$ 298,136	\$ 631,699	\$ 289,140
Local sources	834,170	392,027	342,559
Federal sources	599,429	650,466	650,466
Charges for services	71,606	35,608	35,608
General Revenues			
State and local sources	3,487,831	3,076,203	3,468,230
Other revenues	-	221,617	221,617
Total Revenues	\$ 5,291,172	\$ 5,007,620	\$ 5,007,620
<b>CURRENT EXPENDITURES</b>			
Instruction	\$ 2,044,111	\$ 2,246,281	\$ 2,246,281
Student support services	12,000	-	-
Instructional media	-	7,154	7,154
Instruction and curriculum	-	3,119	3,119
Instructional staff training	9,000	943	943
Board	131,580	3,210	3,210
School administration	639,838	804,274	804,274
Fiscal services	65,382	25,629	25,629
Food services	460,242	489,411	489,411
Central services	-	21,570	21,570
Transportation	165,954	205,908	205,908
Operation of plant	532,477	636,043	636,043
Maintenance of plant	40,800	22,817	22,817
Administrative technology services	58,915	72,494	72,494
Community services	-	62,867	62,867
Total Current Expenditures	\$ 4,160,299	\$ 4,601,720	\$ 4,601,720

## Requests for Information

This financial report is designed to provide a general overview of the Palm Bay Academy, Inc’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Palm Bay Academy, Inc. 2112 Palm Bay Rd. NE Palm Bay, FL 32905.

**PALM BAY ACADEMY, INC.**

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

## Statement of Net Position

June 30, 2025

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Current assets:	
Cash	\$ 326,652
Cash and cash equivalents, restricted	1,370,924
Due from other agencies	204,682
Prepaid expenses and other current assets	9,392
Total current assets	<u>1,911,650</u>
Capital assets, net:	
Capital assets, non-depreciable	1,711,383
Capital assets, depreciable	9,960,484
Less: accumulated depreciation	(5,394,887)
Right-of-use lease asset	110,667
Less: accumulated amortization	(63,011)
Total capital assets, net	<u>6,324,636</u>
Total Assets	<u>8,236,286</u>
<b><u>Deferred Outflows of Resources</u></b>	
Deferred change on refunding	<u>1,720,125</u>
<b><u>Liabilities</u></b>	
Current liabilities:	
Salaries and wages payable	270,495
Accounts payable and accrued expenses	62,737
Accrued interest on bonds	85,086
Bond payable, current	390,000
Line of credit	48,233
Lease liabilities, current	14,333
Notes payable, current	48,035
Total current liabilities	<u>918,919</u>
Notes payable	591,925
Bond payable	12,920,000
Lease liability	38,526
Total liabilities	<u>14,469,370</u>
<b><u>Deferred Inflows of Resources</u></b>	
	<u>-</u>
<b>Net Position:</b>	
Net investment in capital assets	(7,220,426)
Restricted:	
Bond debt service	1,285,838
Lunch program	894
Unrestricted	1,420,735
Total Net Position	<u>\$ (4,512,959)</u>

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

**PALM BAY ACADEMY, INC.**

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

## Statement of Activities

For the year ended June 30, 2025

Functions / Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 2,246,281	\$ -	\$ 309,834	\$ -	\$ (1,936,447)
Instructional media	7,154	-	-	-	(7,154)
Instruction and curriculum	3,119	-	-	-	(3,119)
Instructional staff training	943	-	-	-	(943)
Board	3,210	-	-	-	(3,210)
School administration	804,274	-	-	-	(804,274)
Fiscal services	25,629	-	-	-	(25,629)
Food services	489,411	-	340,632	-	(148,779)
Central services	21,570	-	-	-	(21,570)
Transportation	257,890	-	-	-	(257,890)
Operation of plant	913,060	-	-	-	(913,060)
Maintenance of plant	22,817	-	-	-	(22,817)
Administrative technology services	72,494	-	-	-	(72,494)
Community services	62,867	35,608	-	-	(27,259)
Debt service	906,719	-	-	631,699	(275,020)
<b>Total governmental activities</b>	<b>5,837,438</b>	<b>35,608</b>	<b>650,466</b>	<b>631,699</b>	<b>(4,519,665)</b>
General revenues:					
State and local sources					3,468,230
Interest income					71,606
Other revenues					221,617
Change in net position					(758,212)
Net position, beginning					(3,754,747)
Net position, ending					\$ (4,512,959)

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

**PALMBAY ACADEMY, INC.**

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

Balance Sheet - Governmental Funds

June 30, 2025

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Project Funds	Total Governmental Funds
<b><u>Assets</u></b>					
Cash	\$ 325,758	\$ -	\$ 894	\$ -	\$ 326,652
Cash and cash equivalents, restricted	-	1,370,924	-	-	1,370,924
Prepaid expenses and other current assets	9,392	-	-	-	9,392
Due from other agencies	-	-	187,241	17,441	204,682
Due from fund	204,682	-	-	-	204,682
Total Assets	<u>539,832</u>	<u>1,370,924</u>	<u>188,135</u>	<u>17,441</u>	<u>2,116,332</u>
<b>Deferred Outflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Liabilities</u></b>					
Salaries and wages payable	270,495	-	-	-	270,495
Accounts payable and accrued expenses	62,737	-	-	-	62,737
Accrued interest on bonds	-	85,086	-	-	85,086
Line of credit	48,233	-	-	-	48,233
Due to fund	-	-	187,241	17,441	204,682
Total Liabilities	<u>381,465</u>	<u>85,086</u>	<u>187,241</u>	<u>17,441</u>	<u>671,233</u>
<b>Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Fund Balance</u></b>					
Nonspendable, not in spendable form	9,392	-	-	-	9,392
Restricted	-	1,285,838	894	-	1,286,732
Unassigned	148,975	-	-	-	148,975
	<u>158,367</u>	<u>1,285,838</u>	<u>894</u>	<u>-</u>	<u>1,445,099</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 539,832</u>	<u>\$ 1,370,924</u>	<u>\$ 188,135</u>	<u>\$ 17,441</u>	<u>\$ 2,116,332</u>

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

**PALMBAY ACADEMY, INC.**

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

June 30, 2025

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Total Fund Balance - Governmental Funds \$ 1,445,099

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

Depreciable and non-depreciable capital assets net of accumulated depreciation and amortization used in governmental activities are not financial resources and therefore are not reported in the fund.

Capital assets, non depreciable	1,711,383	
Capital assets, depreciable	9,960,484	
Less: accumulated depreciation	(5,394,887)	
Right-of-use lease asset	110,667	
Less: accumulated amortization	<u>(63,011)</u>	6,324,636

Deferred outflows are not current assets or financial resources and are therefore not reported in the governmental funds. 1,720,125

Long term liabilities in governmental activities are not due and payable in the current period and therefore, are not reported in the governmental funds. (14,002,819)

Total Net Position - Governmental Activities \$ (4,512,959)

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

**PALMBAY ACADEMY, INC.**

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

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For the year ended June 30, 2025

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Project Funds	Total Governmental Funds
<b>Revenues:</b>					
State passed through local	\$ 3,076,203	\$ -	\$ -	\$ -	\$ 3,076,203
State capital outlay funding	-	-	-	289,140	289,140
Local sources	392,027	-	-	342,559	734,586
Federal sources	-	-	650,466	-	650,466
Charges for services	-	-	35,608	-	35,608
Other revenues	221,617	71,606	-	-	293,223
<b>Total Revenues</b>	<b>3,689,847</b>	<b>71,606</b>	<b>686,074</b>	<b>631,699</b>	<b>5,079,226</b>
<b>Expenditures:</b>					
<b>Current</b>					
Instruction	1,936,448	-	309,833	-	2,246,281
Instructional media	7,154	-	-	-	7,154
Instruction and curriculum	3,119	-	-	-	3,119
Instructional staff training	943	-	-	-	943
Board	3,210	-	-	-	3,210
School administration	804,274	-	-	-	804,274
Fiscal services	25,629	-	-	-	25,629
Food services	-	-	489,411	-	489,411
Central services	21,570	-	-	-	21,570
Transportation	205,908	-	-	-	205,908
Operation of plant	636,043	-	-	-	636,043
Maintenance of plant	22,817	-	-	-	22,817
Administrative technology services	72,494	-	-	-	72,494
Community Services	-	-	62,867	-	62,867
<b>Capital Outlay:</b>					
Right-to-use lease asset	58,779	-	-	-	58,779
Other capital outlay	13,643	-	-	-	13,643
<b>Debt Service:</b>					
Redemption of Principal	55,976	365,000	-	-	420,976
Interest	70,207	688,012	-	-	758,219
<b>Total Expenditures</b>	<b>3,938,214</b>	<b>1,053,012</b>	<b>862,111</b>	<b>-</b>	<b>5,853,337</b>
Excess (deficit) of revenues over expenditures	(248,367)	(981,406)	(176,037)	631,699	(774,111)
<b>Other financing sources (uses)</b>					
Transfers in (out)	(239,765)	731,460	140,004	(631,699)	-
Increases in lease liabilities	58,779	-	-	-	58,779
<b>Net change in fund balance</b>	<b>(429,353)</b>	<b>(249,946)</b>	<b>(36,033)</b>	<b>-</b>	<b>(715,332)</b>
Fund Balance at beginning of year	587,720	1,535,784	36,927	-	2,160,431
Fund Balance at end of year	\$ 158,367	\$ 1,285,838	\$ 894	\$ -	\$ 1,445,099

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

**PALMBAY ACADEMY, INC.**

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

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

For the year ended June 30, 2025

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Net Change in Fund Balance - Governmental Funds \$ (715,332)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation and amortization expense and disposals.

Capital outlay	13,643	
Right of use lease asset capital outlay	58,779	
Depreciation and amortization expense	<u>(328,999)</u>	(256,577)

Increase in long term liabilities is revenue in the governmental funds, but a decrease or repayment of such payables reduces liabilities in the statement of net position.

Amortization of deferred change of refunding	(148,500)	
Long-term lease liabilities issued	(58,779)	
Principal payments on long-term liabilities	<u>420,976</u>	213,697

Change in Net Position of Governmental Activities \$ (758,212)

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

## **PALM BAY ACADEMY, INC.**

A Charter School and Component Unit of the District School Board of Brevard County, Florida  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

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### **Note 1 – Summary of Significant Accounting Policies**

#### Reporting Entity

Palm Bay Academy, Inc., (the “School”) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation's Board of Directors, which is comprised of not less than three members. The board has determined that no component units exist that would require inclusion in the School’s financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Brevard County School Board (the “District”). The current charter is effective until June 30, 2027 and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the school is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown.

The School is located in Palm Bay, Florida for students from kindergarten through eighth grade. These financial statements are for the year ended June 30, 2025, where approximately 366 students were enrolled for the year.

#### Basis of Presentation

The School’s accounting policies conform to accounting principles generally accepted in the United States applicable to state and local governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

#### Government-wide and Fund Financial Statements

##### *Government-wide Financial Statements*

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities. Any internal activity has been eliminated from the government-wide financial statements.

The statement of net position (deficit) reports the School's financial position as of the end of the fiscal year. In this statement, the School's net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

## **PALM BAY ACADEMY, INC.**

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

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

Program revenues include: (1) charges for services, such as food service and student activity fees; (2) operating grants such as Federal grants, the National School Lunch Program, and other state allocations; and (3) capital grants and contributions specific to capital outlay. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues and other local and miscellaneous sources.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues, direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements

The financial transactions of the School are reported in individual funds in the governmental fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The School reports the following major governmental funds:

*General Fund* - the general fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

*Debt Service Fund* – to account for the resources accumulated and payments made for principal and interest on the revenue bonds and other notes payable.

*Special Revenue Fund* – accounts for specific revenues, such as federal funding and the federal lunch program, that are legally restricted to expenditures for particular purposes.

*Capital Outlay Fund* – accounts for state and other local capital funds as authorized by Charter School Capital Outlay, Section 1013.62, Florida Statutes.

#### Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

## **PALM BAY ACADEMY, INC.**

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

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

#### Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

#### Cash, Cash Equivalents, and Investments

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

The School has not adopted a formal deposit and investment policy that limits the School's allowable deposits or investments and address specific types of risk. Therefore, pursuant to Florida Statutes, the School is authorized to invest in the Florida PRIME investment pool, administered by the State Board of Administration; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. Investments money market mutual funds that have maturities of one year or less from the date of acquisition are reported at amortized cost that is equally equivalent to fair value.

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

## **PALM BAY ACADEMY, INC.**

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

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

The School follows the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, GASB Statement No. 72, Fair Value Measurement and Application, and other related standards which establish accounting and financial reporting standards for all investments (see Note 2). Money market investment that have maturities of one year or less from the date of acquisition are reported at amortized cost rather than fair value. Amortized cost closely approximates fair value.

##### Restricted Assets

Restricted assets include cash and cash equivalents that are related to the amounts that the School is required to segregate in connection with the issuance of bonds, including sinking fund and reserve requirements, as well as amounts segregated for capital projects of the School. The Indenture of Trust requires the establishment of the Funds for the bonds and accounts within such funds, all of which shall be special trust funds and accounts held by Trustee.

##### Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies relate to grants or programs for which the services have been provided by the School. No allowance for uncollectible accounts is deemed necessary.

##### Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements. Prepaid assets are reported as "non-spendable" in the funds financial statements to indicate that prepaids do not represent available expendable resources.

##### Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with a cost of \$750 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the government wide statements. Proceeds received from the sale or disposal of capital assets are recorded as Other Financing Sources in the governmental funds.

The right of use assets are 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 assets are amortized on a straight-line basis over the life of the related lease.

**PALM BAY ACADEMY, INC.**

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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**Note 1 – Summary of Significant Accounting Policies (continued)**

Estimated useful lives, in years, for capital assets are as follows:

Building and Improvements	15 – 40	Years
Furniture, Fixtures, and Equipment	3 – 10	Years
Right-of-use asset (equipment and copiers)	3 – 5	Years
Motor vehicles	5	Years

Inter-fund Transfers

Interfund receivables/payables are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Long-Term Debt and Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond payable is reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Compensated Absences

GASB Statement No. 101, *Compensated Absences*, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

The School grants a specific number of paid time off. Full time salary employees and full-time hourly employees are entitled to paid leave annually. In the event that available time is not used by the end of the benefit year, employees will not be able to “rollover” unused days for use in future years. There is no termination payment for accumulated unused days. Accordingly, these financial statements do not include an accrual for compensated absences to be used in future benefits years.

The School also provides certain days to be used for specific personal matters such as family leave or death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

## **PALM BAY ACADEMY, INC.**

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

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

##### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has one item that qualifies for reporting in this category which is the deferred charge on refunding. The deferred charge on refunding resulted from the difference in the carrying value of the refunded debt and its reacquisition price and it will be amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period 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.

##### Revenue Sources

Revenues for operations will be received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for the debt service of school facilities. In addition, the School may receive a portion of the local capital improvement revenues levied by the District.

Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Other revenues may also be derived from various fundraising activities and certain other programs.

**PALM BAY ACADEMY, INC.**

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

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**Note 1 – Summary of Significant Accounting Policies (continued)**

Net Position and Fund Balance Classification

*Government-wide financial statements*

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for a specific purpose, it is the Schools' policy to use restricted resources first, until exhausted, before using unrestricted resources.

*Fund financial statements*

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

- a) Nonspendable - includes amounts that cannot be spent because they are either not spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories and prepaid expenses.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Restricted balances at year-end pertain to bond issuance and lunch program.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification that is intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

## **PALM BAY ACADEMY, INC.**

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

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

##### Income Taxes

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

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

##### New Accounting Standard Adopted

Effective July 1, 2024 the School adopted GASB 101, *Compensating Absences*. This Statement provides guidance on the accounting and financial reporting for certain types of compensated absences including parental leave, military leave, and injury duty leave. The adoption had no material effect on the School's 2025 financial statements

Effective July 1, 2024 the School adopted GASB 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. See Note 8.

##### Pronouncements Issued But Not Yet Effective

The GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

The School is currently evaluating the effect that implementation of the new standards will have on its financial statements.

##### Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 3, 2025, which is the date the financial statements were available to be issued.

## **PALM BAY ACADEMY, INC.**

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

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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#### **Note 2 – Cash and Restricted Cash**

##### Deposits

Cash is made of deposits and cash on hand totaling \$283,262. The School has identified itself as a public entity. Therefore, the School's deposit must be placed with a financial institution designation by the Treasurer of the State of Florida as a "qualified public depository", as defined in Chapter 280, Florida Statutes. As of June 30, 2025, no amount of the School's cash balances held were exposed to custodial credit risk.

##### Restricted Cash

The School held restricted cash in the amount of \$1,370,924 that was reported as a cash equivalent for financial statement reporting purposes. The School follows the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

At June 30, 2025, the School had approximately \$1,371,000 invested in a governmental money market mutual fund that is exempt from GASB 72 fair value hierarchy disclosures. The governmental money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of June 30, 2025, maturities of the fund's portfolio holdings are all within 30 days.

##### Credit Risk

*Concentration of credit risk* is the risk of loss attributed to the magnitude of investments in a single issuer. The School manages its exposure to credit risk by limiting investments to highly rated government money market mutual funds. The fund is rated Aaa-mf by Moody's.

*Custodial credit risk* is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2025, all of the School's investments in government money market mutual funds were held in a separate account by the bond trustee and designated as assets of the School.

*Interest rate risk* is the risk that changes in interest rate will adversely affect the fair value of an investment. The School manages its exposure to declines in fair values by limiting all investments to government money market mutual funds that can be redeemed daily.

**PALM BAY ACADEMY, INC.**

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

**Note 3 – Capital Assets**

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2025:

	Balance 07/01/24	Additions	Deletions / Reclassification	Balance 06/30/25
<b>Capital Assets, non-depreciable</b>				
Land	\$ 1,711,383	\$ -	\$ -	\$ 1,711,383
<b>Capital Assets, depreciable:</b>				
Building and improvements	\$ 8,865,233	\$ -	\$ -	\$ 8,865,233
Furniture, fixtures and equipment	805,848	3,893	-	809,741
Motor vehicles	275,760	9,750	-	285,510
Total Capital Assets	<u>\$ 11,658,224</u>	<u>\$ 13,643</u>	<u>\$ -</u>	<u>\$ 11,671,867</u>
Less Accumulated Depreciation:				
Building and improvements	\$ (4,294,962)	\$ (237,065)	\$ -	\$ (4,532,027)
Furniture, fixtures and equipment	(688,637)	(26,270)	-	(714,907)
Motor vehicles	(95,970)	(51,983)	-	(147,953)
Total Accumulated Depreciation	<u>\$ (5,079,569)</u>	<u>\$ (315,318)</u>	<u>\$ -</u>	<u>\$ (5,394,887)</u>
Total Capital Assets, being depreciated, net	<u>\$ 6,578,655</u>	<u>\$ (301,675)</u>	<u>\$ -</u>	<u>\$ 6,276,980</u>
<b>Lease Assets:</b>				
Right of use lease asset	\$ 51,888	\$ 58,779	\$ -	\$ 110,667
Less accumulated amortization:	(49,330)	(13,681)	-	(63,011)
Total Lease Assets being amortized, net	<u>2,558</u>	<u>45,098</u>	<u>-</u>	<u>47,656</u>
<b>Governmental Activities Capital Assets, net</b>	<u>\$ 6,581,213</u>	<u>\$ (256,577)</u>	<u>\$ -</u>	<u>\$ 6,324,636</u>

For the fiscal year ended June 30, 2025, depreciation and amortization expense is allocated in the Statement of Activities by function as follows:

	Depreciation	Amortization
Transportation	\$ 51,982	\$ -
Operation of plant	263,336	13,681
Total Depreciation and Amortization Expense	<u>\$ 315,318</u>	<u>\$ 13,681</u>

**PALM BAY ACADEMY, INC.**

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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**Note 4 – Transactions with School District**

Pursuant to the Charter School contract with the school district, the district withholds an administrative fee from the qualifying revenues of the School. For the year ended June 30, 2025, administrative fees withheld by the School District totaled \$95,156.

**Note 5 – Interfund Transfers**

Interfund transfers in governmental funds as of June 30, 2025, consist of the following:

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund
Transfers:				
To fund debt service payments	\$ (99,761)	\$ 731,460	\$ -	\$ (631,699)
To fund lunch program expenditures	(148,779)	-	148,779	-
To reimburse general fund for community service expenditures	8,775	-	(8,775)	-
Total Transfers, net	<u>\$ (239,765)</u>	<u>\$ 731,460</u>	<u>\$ 140,004</u>	<u>\$ (631,699)</u>
	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund
Due to General Fund from Capital Projects Fund for Capital Outlay	\$ 17,441	\$ -	\$ -	\$ (17,441)
Due to General Fund from Special Revenue Fund for Federal Funds	187,241	-	(187,241)	-
Total Due from/(Due to)	<u>\$ 204,682</u>	<u>\$ -</u>	<u>\$ (187,241)</u>	<u>\$ (17,441)</u>

**Note 6 – Revolving Line of Credit**

The School maintains a revolving line of credit with Wells Fargo with a revolving limit of \$76,000. The line of credit is due on demand. Interest is payable monthly and accrues at a daily rate of 0.03904%. As of June 30, 2025, the outstanding balance and available credit of the line of credit was \$48,233 and \$27,767, respectively. Interest expense for the year was \$7,829.

**Note 7 – Long-Term Liabilities**

Bonds Payable

The School issued Series 2006 and Series 2007 Bonds pursuant to a Trust Indenture dated as of September 1, 2006 as supplemented and amended by the First Supplemental Trust Indenture dated as of September 1, 2007 and respective loan agreements (“the Original Bonds”). The School entered into a Forbearance Agreement (“the Agreement”) with the Trustee on May 15, 2013 as a result of the School’s inability to pay principal and interest as due on the Original Bonds.

The agreement was amended on June 15, 2015, and granted the School forbearance and relief through February 28, 2017. The school has a forbearance asset reflected in the statement of net position as a deferred change on refunding which is being amortized over twenty years.

**PALM BAY ACADEMY, INC.**

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

**Note 7 – Long-Term Liabilities (continued)**Bonds Payable (continued)

On February 28, 2017, the Original Bonds were modified and reissued by Florida Development Finance Corporation into the following six subseries, maturity dates and interest rates:

	<u>Principal Balance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Senior Lien Bonds			
Series 2017A	\$ 7,265,000	May 15, 2027	6.375%
Series 2017B	735,000	May 15, 2024	9.000%
Subordinate Lien Bonds			
Series 2017C	3,430,000	May 15, 2037	6.375%
Series 2017D	350,000	May 15, 2037	9.000%
Secondary Subordinate Lien Bonds			
Series 2017E	2,610,000	May 15, 2037	0.000%
Series 2017F	360,000	May 15, 2037	0.000%
	<u>\$ 14,750,000</u>		

This Agreement further requires the School to meet certain additional conditions. The School shall maintain cash on hand as of June 30 equal to at least 60 days as measured on June 30, 2024 and the last day of each fiscal quarter thereafter. As of June 30, 2025, the School did not meet the requirement and maintained 49 days of cash on hand.

On a quarterly basis, the School shall report a Debt Service Coverage Ratio based on the immediate prior four fiscal quarters of no less than 1.00. As of June 30, 2025, the School did not meet the requirement with a Debt Service Coverage Ratio of 0.63.

The bondholder released approximately \$250,000 the debt interest reserve fund to the School during the year to meet the scheduled interest payments.

The School's revenues are pledged under this bond issuance up to the remaining balance as of June 30, 2025. In the event of default, the maturity date can be accelerated and/or the underlying collateral may be subject to foreclosure.

The following is a summary of changes in bonds payable and corresponding deferred change on refunding:

	<u>Balance 07/01/24</u>	<u>Additions Reclassifications</u>	<u>Retirements / Payments</u>	<u>Balance 06/30/25</u>
Series 2017A	\$ 7,065,000	\$ -	\$ 365,000	\$ 6,700,000
Series 2017C	3,290,000	-	-	3,290,000
Series 2017D	350,000	-	-	350,000
Series 2017E	2,610,000	-	-	2,610,000
Series 2017F	360,000	-	-	360,000
	<u>\$ 13,675,000</u>	<u>\$ -</u>	<u>\$ 365,000</u>	<u>\$ 13,310,000</u>
Deferred change on refunding	<u>\$ 1,868,625</u>	<u>\$ -</u>	<u>\$ 148,500</u>	<u>\$ 1,720,125</u>

**PALM BAY ACADEMY, INC.**

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

**Note 7 – Long-Term Liabilities (continued)**

Interest expense for the year ended June 30, 2025 was \$679,997. Annual requirements to amortize all bonded debt outstanding as of June 30, 2025, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 390,000	\$ 668,363	\$ 1,058,363
2027	415,000	643,500	1,058,500
2028	440,000	617,044	1,057,044
2029	470,000	588,994	1,058,994
2030	495,000	559,031	1,054,031
2031-2035	3,005,000	2,277,188	5,282,188
2036-2037	8,095,000	625,913	8,720,913
	<u>\$ 13,310,000</u>	<u>\$ 5,980,033</u>	<u>\$ 19,290,033</u>

SBA - Economic Injury Disaster Loan

During the year June 30, 2020, the School obtained an Economic Injury Disaster Loan for \$150,000 from the Small Business Administrations (SBA) for working capital to alleviate economic injury caused by COVID-19. The loan bears interest at 2.75% and is payable in monthly installments of \$641 that will begin twenty-four months from the date of the promissory note, dated June 23, 2020, and matures in June 2050. The SBA loan is secured by all the tangible and intangible property of the School except for real estate. On August 21, 2021, the School renegotiated the Economic Injury Disaster Loan to add an additional \$350,000 to the \$150,000 loan for a combined loan of \$500,000 balance. The payment of \$2,210 began on December 31, 2022, with the original interest and maturity date remaining the same. As of June 30, 2025, the remaining balance of the EIDL loan was \$457,756. Interest expense for the year ended June 30, 2025 was \$13,013.

Note Payable – Bus Loan

On January 11, 2023, the School obtained financing in the amount of \$252,595 to acquire two school busses. The terms of the loan agreement called for 84 consecutive monthly payments of \$3,878.30 including principal and interest based on a 7-year straight amortization schedule. The note bears an interest rate of 7.532% fixed with the first payment commencing on February 20, 2023, and a maturity date of January 20, 2030. The outstanding balance of the note as of June 30, 2025, amounted to \$182,204.

The following is a summary of changes in the economic injury disaster loan, the bus loan and line of credit:

	<u>Balance</u> <u>07/01/24</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/25</u>
Motor Vehicles Financing	\$ 211,594	\$ -	\$ 29,391	\$ 182,203
SBA - EIDL Loan	471,290	-	13,533	457,757
	<u>\$ 682,884</u>	<u>\$ -</u>	<u>\$ 42,924</u>	<u>\$ 639,960</u>

**PALM BAY ACADEMY, INC.**

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

**Note 7 – Long-Term Liabilities (continued)**

Interest expense for the year ended June 30, 2025, was \$30,528. Future maturities under the SBA loan and the bus loan as of June 30, 2025, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 48,035	\$ 25,025	\$ 73,060
2027	51,085	21,975	73,060
2028	54,353	18,707	73,060
2029	57,856	15,204	73,060
2030	44,266	11,693	55,959
2031-2035	84,196	48,404	132,600
2036-2040	96,592	36,008	132,600
2041-2045	110,863	21,737	132,600
2046-2049	92,714	5,795	98,509
	<u>\$ 639,960</u>	<u>\$ 204,548</u>	<u>\$ 844,508</u>

Lease Liabilities

The School held or entered into leases for various telephone equipment and copiers for use in classrooms. The leases are noncancellable, with terms ranging from thirty-two to sixty months. The leases have nonrenewal clauses and computers and copiers revert to the lessor at the end of the lease. The interest rates on the leases were approximately 1.3% which was used to discount the annual lease payments to recognize the intangible right to use asset and lease liabilities upon adoption of GASB 87. For the year ended June 30, 2025, interest expense totaled \$1,566.

Changes in long term lease liabilities during the year are as follows:

	<u>Balance 07/01/24</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/25</u>
Lease liabilities	<u>\$ 7,132</u>	<u>\$ 58,779</u>	<u>\$ 13,052</u>	<u>\$ 52,859</u>
	<u>\$ 7,132</u>	<u>\$ 58,779</u>	<u>\$ 13,052</u>	<u>\$ 52,859</u>

Annual requirements to amortize the lease liability and related interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 14,333	\$ 1,341	\$ 15,674
2027	12,962	962	13,924
2028	12,072	602	12,674
2029	12,440	235	12,675
2030	1,052	3	1,055
	<u>\$ 52,859</u>	<u>\$ 3,143</u>	<u>\$ 56,002</u>

## **PALM BAY ACADEMY, INC.**

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

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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#### **Note 8 – Commitments, Contingencies, Concentrations and Constraints**

##### Contingencies

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

##### Concentrations

The School receives the majority of its funding from the State through the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits.

It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

##### Constraints

The School also receives local funding from a one-half cent school capital outlay surtax levied by the District and approved at a referendum. The current renewal is set to expire on December 31, 2026. As of June 30, 2025, the Schools total sales tax revenues are approximately \$342,000 or 7% of total revenues.

#### **Note 9 – Risk Management**

The School is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; administrative errors and omissions; personal injury; workers compensation and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage in any of the past three fiscal years. In addition, there were no reductions in insurance coverage from those in the prior year.

The School has entered into a strategic relationship with S & W Payroll Services, LLC ("Netchex"), a human resource management firm, typically known as "Professional Employer Organization" (PEO). Under a co-employment agreement, the PEO is the employer of record and is responsible for administering payroll, payroll taxes, provide employee benefits and assist with human resources and risk management. Accordingly, certain human resource related risks are transferred to the PEO. Nevertheless, the School may be subject to risks, including loss, penalties and fines related to employment practices, administrative error and omissions.

REQUIRED SUPPLEMENTARY INFORMATION

**PALM BAY ACADEMY, INC.**

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the year ended June 30, 2025

	General Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State passed through local	\$ 3,487,831	\$ 3,076,203	\$ 3,076,203
Local sources	834,170	392,027	392,027
Other revenue	-	221,617	221,617
Total Revenues	4,322,001	3,689,847	3,689,847
<b>EXPENDITURES</b>			
Current:			
Instruction	1,857,281	1,936,448	1,936,448
Student support services	12,000	-	-
Instructional media	-	7,154	7,154
Instruction and Curriculum	-	3,119	3,119
Instructional staff training	9,000	943	943
Board	131,580	3,210	3,210
School administration	639,838	804,274	804,274
Fiscal services	65,382	25,629	25,629
Central services	-	21,570	21,570
Transportation	165,954	205,908	205,908
Operation of plant	532,477	636,043	636,043
Maintenance of plant	40,800	22,817	22,817
Administrative technology services	58,915	72,494	72,494
Total Current Expenditures	3,513,227	3,739,609	3,739,609
Excess (Deficit) of Revenues Over Current Expenditures	808,774	(49,762)	(49,762)
Debt Service:			
Redemption of Principal	-	55,976	55,976
Interest	-	70,207	70,207
Capital Outlay	-	13,643	13,643
Total Capital Outlay and Debt Service Expenditures	-	139,826	139,826
Total Expenditures	3,513,227	3,879,435	3,879,435
Excess of Revenues Over Expenditures	808,774	(189,588)	(189,588)
Other financing sources (uses):			
Transfers in (out)	(734,532)	(275,798)	(239,765)
Net change in fund balance	74,242	(465,386)	(429,353)
Fund Balance at beginning of year	587,720	587,720	587,720
Fund Balance at end of year	\$ 661,962	\$ 122,334	\$ 158,367

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

**PALM BAY ACADEMY, INC.**

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the year ended June 30, 2025

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Federal sources	\$ 599,429	\$ 650,466	\$ 650,466
Charges for services and other revenues	-	35,608	35,608
Total Revenues	599,429	686,074	686,074
<b>EXPENDITURES</b>			
Current:			
Instruction	186,830	309,833	309,833
Food services	460,242	489,411	489,411
Community services	-	62,867	62,867
Total Current Expenditures	647,072	862,111	862,111
Excess (Deficit) of Revenues Over Current Expenditures	(47,643)	(176,037)	(176,037)
Debt Service:			
Capital Outlay	-	-	-
Total Capital Outlay and Debt Service Expenditures	-	-	-
Total Expenditures	647,072	862,111	862,111
Excess (Deficit) of Revenues Over Expenditures	(47,643)	(176,037)	(176,037)
Other financing sources (uses)			
Transfers in (out)	47,643	176,037	140,004
Net change in fund balance	-	(36,033)	(36,033)
Fund Balance at beginning of year	36,927	36,927	36,927
Fund Balance at end of year	\$ 36,927	\$ 894	\$ 894

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.



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*

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Board of Directors of  
Palm Bay Academy, Inc.  
Palm Bay, 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 Bay Academy, Inc. (the "School") 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 September 3, 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 School's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

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

We noted certain matters that we have reported to management of Palm Bay Academy, Inc. in a separate management letter pursuant to Chapter 10.850, Rules of the Auditor General dated September 3, 2025.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 3, 2025



## MANAGEMENT LETTER

To the Board of Directors of  
Palm Bay Academy, Inc.  
Palm Bay, Florida

### **Report on the Financial Statements**

We have audited the financial statements of Palm Bay Academy, Inc., Florida, as of and for the year ended June 30, 2025 and have issued our report thereon dated September 3, 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 Auditors' 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 those reports and schedules, which are dated September 3, 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.

See attached addendum titled Current Year's Observations, Status of Prior Year Findings and Recommendations, and Management's Responses.

### **Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires 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 school code assigned by the Florida Department of education of the entity is Palm Bay Academy, Inc., 6501.

**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 has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that Palm Bay Academy, Inc., 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 Palm Bay Academy, Inc. It is management's responsibility to monitor '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 recommendation to improve financial management. In connection with our audit, we have a recommendations which are described in the accompanying appendix to the management letter in item ML – 23-01 and ML 25-01.

**Transparency**

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

**Additional Matters**

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

**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 Florida House of Representatives, the Florida Auditor General, the District School Board of Brevard County, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 3, 2025

**Appendix to Management Letter**  
**Current Year's Observations, Status of Prior Year Findings and Recommendations, and**  
**Management's Responses**  
**June 30, 2025**

**ML – 23-01 Budget Planning, Review and Oversight (repeat observation from the two previous years)**

Criteria: The School is required to adopt an annual budget and amendments that are to be approved by the Governing Board.

Condition: It was noted during the audit that an amended budget was not prepared, reviewed or approved for the Schools actual year to date expenditures that exceeded initial budgeted amounts during the year.

Cause: The condition results from management not identifying and notifying the Governing Board of the final variances to budgeted amounts in a timely manner.

Effect: Failure to perform the procedures mentioned above could result in the School's final expenditures for the year to be over budgeted amounts and could cause additional significant financial declines. As a result, during the year, the School incurred a substantial excesses of expenses over revenue, which resulted in a significant cumulative reduction in net assets during this time period.

Recom-  
mendation: We recommend that an annual budget process be implemented so that the board will approve budgeted results to actual and amend the budget accordingly prior to year-end. The format of the budget should closely match that of the financial statements and include all financial activity and cash flow projections. This will allow for useful comparisons between budgeted and actual financial information as well as enable more meaningful and precise analysis of budget variances.

Management should make any necessary revisions to the 2025-2026 budget to minimize any negative financial consequences in the current year

Views of  
Responsible  
Officials: See attached response.

**ML 25-01 Bond Covenant Noncompliance**

**Criteria:** The School’s Revenue Bonds, Series 2017 include covenants for debt service coverage ratio and days cash on hand as described in the Loan Agreement. The School agrees to have a debt service coverage ratio at June 30, 2023 and each June 30 thereafter, until the bonds are no longer outstanding in a coverage ratio of no less 1.00. The minimum days cash on hand requirement is 60 days.

**Condition:** As of June 30, 2025, the School reported a net change in fund balance deficit of \$715,332. To meet schedule interest payments, approximately \$250,000 was drawn from the debt service reserve fund. This deficit contributed to noncompliance with required bond covenants. As of June 30, 2025, the calculated days debt service coverage ratio was 0.63 (required 1.1) and the days cash on hand was 49 days (required > 60 days).

**Context:** Failure to increase enrollment and revenues or decrease expenditures may cause a financial emergency as described in Section 218.503(1), Florida Statutes, to occur.

**Cause:** The condition results from inability to increase enrollment and revenue or reduce expenditures, while not properly monitoring budgeted expenses and covenant calculation throughout the fiscal year.

**Effect:** The financial circumstances significantly impairs the School’s ability to meet its debt servicing requirements without transferring from the bond debt service reserve funds. Additionally, further noncompliance with the covenant may have an adverse effect on the School’s financial position.

**Recom-  
mendation:** We recommend management and the Board review the annual budget for the 2025-2026 to actuals on a quarterly basis to ensure expenditures are below budgeted amounts and monitor cash flow projections to meet covenant requirements and avoid a negative unassigned fund balance.

**Views of  
Responsible  
Officials:** See attached response.

September 3, 2025

HLB Gravier, LLP  
4000 Ponce de Leon Blvd, Suite 610  
Coral Gables, FL 33146

#### Management Response to ML 25-01 – Bond Covenant Noncompliance

Palm Bay Academy acknowledges the bond covenant noncompliance noted in the FY 2025 audit, specifically related to the debt service coverage ratio and days cash on hand. These issues were driven by a debt service burden exceeding \$1 million annually, which consumed over 28% of total expenditures and contributed to a fund balance deficit.

To address this, the School has developed and submitted a comprehensive Financial Sustainability Plan, which includes the following corrective actions:

- **Debt Restructuring:** The School has proposed a debt service cap of \$600,000. If approved, this would reduce annual obligations by approximately \$450,000, eliminate the structural deficit, and restore compliance with both debt service coverage and liquidity covenants
- **Budget Oversight:** Quarterly budget reviews and variance thresholds have been implemented to ensure tighter fiscal control and early identification of risks.
- **Reserve Management:** The School is rebuilding fund balances across all funds and limiting interfund transfers to emergency use only.
- **Operational Efficiency:** A staffing and vendor audit is underway to identify cost-saving opportunities without compromising educational quality.
- **Transparency and Contingency Planning:** The School will publish quarterly financial updates and has developed a contingency plan to manage future financial risks.

#### Management Response to ML 23-01 – Budget Planning, Review and Oversight

Palm Bay Academy acknowledges the repeat finding related to budget planning and oversight. In response, the School has implemented a comprehensive financial sustainability plan that directly addresses the root causes of this issue.

Key corrective actions include:

- **Quarterly Budget Reviews:** The School has instituted quarterly reviews of actuals versus budget, with formal presentations to the Board of Directors. These reviews include variance analysis and corrective action planning.
- **Budget Amendment Protocol:** A formal process has been adopted to amend the budget when material variances are identified. Amendments will be submitted to the Board for approval prior to year-end to ensure compliance with statutory and audit requirements.
- **Improved Forecasting and Controls:** The School has introduced budget variance thresholds that trigger automatic review and escalation. Internal controls over high-cost areas such as operations and administration have been strengthened.
- **Board Engagement:** The Board is now receiving more frequent and detailed financial updates, including cash flow projections and fund balance tracking across all funds.

Signature:

M. Hoigau

Title: Director Palm Bay Academy

Date: 9/3/2025