

Palm Beach Preparatory Charter Academy Middle School

A Division of NorthStar Academies, Inc.
Basic Financial Statements
and Additional Information
For the Year Ended June 30, 2025

Palm Beach Preparatory Charter Academy Middle School

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Palm Beach Preparatory Charter Academy Middle School (the "School"), a division of NorthStar Academies, Inc., 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 change in financial position of only that portion of the governmental activities and each major fund of NorthStar Academies, Inc. that are attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of NorthStar Academies, Inc. as of June 30, 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 information for the General Fund and Special Revenue Fund on pages 23 and 24 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 30, 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
September 30, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**Palm Beach Preparatory Charter Academy Middle School
Management's Discussion and Analysis
June 30, 2025**

As management of Palm Beach Preparatory Charter Academy Middle School (the "School"), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2025. This is first year of operations for the School so no comparative information will be provided.

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

Financial Highlights

The following are the highlights of financial activity for the year ended June 30, 2025:

- The School's total liabilities exceeded its assets at June 30, 2025 by \$ 371,540 (net position (deficit)).
- The School's total revenues were \$ 371,836, \$ 299,695 from full-time equivalent ("FTE") revenues, \$ 9,073 from operating, capital grants, and contributions, and \$ 63,068 from miscellaneous revenues. The School's expenses for the year were \$ 743,376. Net position for the year decreased by \$ 371,540.

Overview of the Financial Statements

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

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

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

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

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

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

Overview of the Financial Statements (continued)

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

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

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

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

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

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

Notes to basic financial statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 22 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's General Fund and Special Revenue Fund adopted budget to actual results. Required supplementary information can be found on pages 23 and 24 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the School, liabilities exceeded assets by \$ 371,540 at the close of the most recent fiscal year.

Palm Beach Preparatory Charter Academy Middle School
 Net Position (Deficit)

		2025
Current and Other Assets	\$	122,099
Capital Assets, net		758,504
Total assets		880,603

**Palm Beach Preparatory Charter Academy Middle School
Management's Discussion and Analysis
June 30, 2025**

Government-Wide Financial Analysis (continued)

Palm Beach Preparatory Charter Academy Middle School
Net Position (Deficit) (continued)

	<u>2025</u>
Current Liabilities	195,917
Noncurrent Liabilities	<u>1,056,226</u>
Total liabilities	<u>1,252,143</u>
Net Position (Deficit):	
Net investment in capital assets	(13,243)
Unrestricted	<u>(358,297)</u>
Total net position (deficit)	\$ <u>(371,540)</u>

Current and other assets consist of the School's cash position and receivables from other governments and related entities. Capital assets, net of amortization, consists of a leased building and its accumulated amortization. Current liabilities consists of accounts payables, accrued expenses, a balance due to a related party, and the current portion of the lease payable. Noncurrent liabilities consists of the long-term portion of the lease payable and a balance due to a related party.

Governmental activities: The School's overall net position decreased \$ 371,540 in the current fiscal year. The reasons for this overall decrease are discussed in the following section for governmental activities.

Palm Beach Preparatory Charter Academy Middle School
Changes in Net Position

	<u>2025</u>
Revenues:	
General revenues:	
FTE nonspecific revenues	\$ 299,695
Referendum	62,311
Miscellaneous revenues	757
Program revenues:	
Operating grants and contributions	<u>9,073</u>
Total revenues	<u>371,836</u>

Government-Wide Financial Analysis (continued)

Palm Beach Preparatory Charter Academy Middle School
Changes in Net Position (continued)

	<u>2025</u>
Expenses:	
Functions/Programs:	
Instruction	154,701
Administrative services	90,310
Instructional support services	25,790
Board	4,339
Plant operations and maintenance	366,200
Operation of non-instructional services:	
Fiscal services	67,945
Interest expense	<u>34,091</u>
Total expenses	<u>743,376</u>
Change in net position	(371,540)
Net position - beginning	<u>-</u>
Net position (deficit) - ending	<u>\$ (371,540)</u>

General revenues consists of FTE based on school enrollment and referendum funding which is allocated from the school district; additionally, program revenues consists of grant funding. Expenses were mainly related to payroll and facility operation and maintenance.

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 (\$ 385,080), while the total fund balance decreased to (\$ 358,297).

The fund balance of the School's General Fund decreased by \$ 358,297, which was primarily attributable to limited enrollment in the first year of operations.

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

Capital Asset and Debt Administration

Capital assets: At June 30, 2025, the School had capital assets of \$ 758,504 net of accumulated amortization, invested in a leased building. Capital asset additions for the year included acquisition of a leased building for \$ 948,130. Additional information on the School's capital assets can be found in Note 6 to the financial statements.

Long-term debt: At June 30, 2025, the School had outstanding debt of \$ 771,747. Additional information on the School's debt can be found in Note 7 to the financial statements.

General Fund Budgetary Highlights

Revenues were unfavorable to the original budget by approximately \$ 1.82M due to significantly fewer student enrollments than anticipated for the School's inaugural year. This shortfall was partially due to the facility not being ready early enough to adequately facilitate student recruitment activities. Throughout the year, every effort was taken to mitigate the revenue shortfall resulting in the total expenditures being favorable to the budget by approximately \$ 916k. These spending cuts included hiring fewer staff and purchasing fewer supplies and services to realign spending to meet the needs of the students enrolled. See page 23 for budget to actual comparisons detail.

Economic Factors and Next Year's Budget

In fiscal year 2025, the state of Florida continued to include a teacher salary increase allocation ("TSIA") of \$1.25 billion. The School's FY 24-25 allocations of these funds were \$ 13,658.

For fiscal year 2026, the funding for teacher salaries and other instructional personnel will be \$ 1.254 billion. Additionally, the State of Florida approved an increase to the base funding allocation by approximately 0.8%. The School expects a considerable increase in the student count, therefore, the overall effect will be a significant increase in all revenue categories over fiscal year 2024-2025.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Palm Beach Preparatory Charter Academy Middle School
Statement of Net Position (Deficit)
June 30, 2025

Current Assets:

Cash	\$ 82,055
Due from others	6,671
Due from government agencies	6,590
Due from management company	<u>26,783</u>
Total current assets	<u>122,099</u>

Noncurrent Assets:

Capital assets, net of accumulated amortization	<u>758,504</u>
Total noncurrent assets	<u>758,504</u>
Total assets	<u>880,603</u>

Current Liabilities:

Accounts payable	13,883
Accrued liabilities	1,420
Lease payable	<u>180,614</u>
Total current liabilities	195,917

Noncurrent Liabilities:

Due to related party	465,093
Lease payable	<u>591,133</u>
Total noncurrent liabilities	<u>1,056,226</u>
Total liabilities	<u>1,252,143</u>

Net Position (Deficit):

Net investment in capital assets	(13,243)
Unrestricted	<u>(358,297)</u>
Total net position (deficit)	<u>\$ (371,540)</u>

See accompanying notes to financial statements.

**Palm Beach Preparatory Charter Academy Middle School
Statement of Activities
For the Year Ended June 30, 2025**

	Program Revenues			Governmental Activities	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
				Net Revenues (Expenses) and Change in Net Position	
Functions/Programs:					
Governmental activities:					
Regular instruction	\$ 154,701	\$ -	\$ 9,073	\$ -	\$ (145,628)
Administrative services	90,310	-	-	-	(90,310)
Instructional support services	25,790	-	-	-	(25,790)
Board	4,339	-	-	-	(4,339)
Plant operations and maintenance	366,200	-	-	-	(366,200)
Operation of non-instructional services:					
Fiscal services	67,945	-	-	-	(67,945)
Interest expense	34,091	-	-	-	(34,091)
Total governmental activities	\$ <u>743,376</u>	\$ <u>-</u>	\$ <u>9,073</u>	\$ <u>-</u>	<u>(734,303)</u>
General revenues:					
FTE nonspecific revenues					299,695
Referendum					62,311
Miscellaneous revenues					<u>757</u>
Total general revenues					<u>362,763</u>
Change in net position					(371,540)
Net position, July 1, 2024					<u>-</u>
Net position (deficit), June 30, 2025					\$ <u><u>(371,540)</u></u>

See accompanying notes to financial statements.

Palm Beach Preparatory Charter Academy Middle School
Balance Sheet - Governmental Funds
June 30, 2025

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 82,055	\$ -	\$ 82,055
Due from others	6,671	-	6,671
Due from government agencies	6,590	-	6,590
Due from management company	<u>26,783</u>	<u>-</u>	<u>26,783</u>
Total assets	<u>\$ 122,099</u>	<u>\$ -</u>	<u>\$ 122,099</u>
Liabilities:			
Accounts payable	\$ 13,883	\$ -	\$ 13,883
Accrued liabilities	1,420	-	1,420
Due to related party	<u>465,093</u>	<u>-</u>	<u>465,093</u>
Total liabilities	<u>480,396</u>	<u>-</u>	<u>480,396</u>
Fund Balances:			
Nonspendable:			
Deposits and other assets	26,783	-	26,783
Unassigned	<u>(385,080)</u>	<u>-</u>	<u>(385,080)</u>
Total fund balances (deficit)	<u>(358,297)</u>	<u>-</u>	<u>(358,297)</u>
Total liabilities and fund balances (deficit)	<u>\$ 122,099</u>	<u>\$ -</u>	<u>\$ 122,099</u>

See accompanying notes to financial statements.

**Palm Beach Preparatory Charter Academy Middle School
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position (Deficit)
 June 30, 2025**

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

Governmental fund balances \$ (358,297)

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

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

Cost of capital assets	\$	948,130	
Accumulated amortization		<u>(189,626)</u>	758,504

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
 governmental-wide statements.

Lease payable			<u>(771,747)</u>
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Net Position (Deficit) of Governmental Activities			\$ <u>(371,540)</u>
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See accompanying notes to financial statements.

**Palm Beach Preparatory Charter Academy Middle School
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2025**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Revenues:			
State sources	\$ 299,695	\$ -	\$ 299,695
Federal sources	-	9,073	9,073
Local sources	63,068	-	63,068
	<u>362,763</u>	<u>9,073</u>	<u>371,836</u>
Total revenues			
Expenditures:			
Current:			
Instruction	145,628	9,073	154,701
Instructional support services	25,790	-	25,790
Fiscal services	67,945	-	67,945
Board	4,339	-	4,339
Plant operations and maintenance	176,574	-	176,574
Administrative services	90,310	-	90,310
Capital outlay	948,130	-	948,130
Debt service:			
Principal	176,383	-	176,383
Interest	34,091	-	34,091
	<u>1,669,190</u>	<u>9,073</u>	<u>1,678,263</u>
Total expenditures			
Deficiency in revenues under expenditures	(1,306,427)	-	(1,306,427)
Other Financing Sources:			
Issuance of lease obligation	948,130	-	948,130
	<u>948,130</u>	<u>-</u>	<u>948,130</u>
Net change in fund balances	(358,297)	-	(358,297)
	<u>(358,297)</u>	<u>-</u>	<u>(358,297)</u>
Fund Balances, July 1, 2024	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit), June 30, 2025	\$ (358,297)	\$ -	\$ (358,297)
	<u>\$ (358,297)</u>	<u>\$ -</u>	<u>\$ (358,297)</u>

See accompanying notes to financial statements.

**Palm Beach Preparatory Charter Academy Middle School
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2025**

Net Change in Fund Balances - Governmental Funds \$ (358,297)

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

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

Capital outlay	\$	948,130	
Amortization		<u>(189,626)</u>	758,504

Repayment of debt and other long-term debt are expenditures in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position (deficit). 176,383

Entering into a lease obligation is recorded as an other source of financing in the governmental funds, but entering into lease obligations increase long-term liabilities in the statement of net position (deficit). (948,130)

Change in Net Position on the Statement of Activities \$ (371,540)

See accompanying notes to financial statements.

Note 1 - Organization and Operations

Palm Beach Preparatory Charter Academy Middle School (the "School") is a division of NorthStar Academies, Inc. (the "Organization"). The School commenced operations in July 2024 and offers classes for middle school students in Palm Beach County, Florida. Approximately 36 students were enrolled in classes for the school year ended in June 2025.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of the Organization as of June 30, 2025, or the changes in its financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring school district, the School Board of Palm Beach County, Florida (the "School Board"). The current charter is effective until June 30, 2029. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter in which case the School Board is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown.

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable which would require inclusion in the School's financial statements.

Basis of presentation: The financial statements have been prepared in conformity with U.S. 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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

The School reports the following major governmental funds:

- **General Fund** – This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.
- **Special Revenue Fund** – This fund is used to account for federal grants and certain other revenues that are legally restricted to expenditures for particular purposes.

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

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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Student funding is provided by the state of Florida through the School Board. Such funding is recorded as full-time equivalent (“FTE”) revenue in the government-wide financial statements and state source revenues in the fund financial statements. This funding is received on a prorated basis over a 12-month period and is adjusted for changes in FTE student population.

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 and amortization reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.
- Restricted - consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - the 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 U.S. GAAP which provide clearly defined fund balance classifications to report on the nature and extent to which the School is bound to have constraints on the specific purposes for which amounts in those funds can be spent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - consists of amounts that are not in spendable form and amounts that are legally or contractually required to be maintained intact.
- Restricted fund balance - consists of amounts with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Committed fund balance - consists of amounts that can be used for specific purposes voted on through formal action by the 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 fund balance - consists of amounts that the Board of Directors intends to use for a specific purpose, but they are neither restricted nor committed.
- Unassigned – represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

Note 2 - Summary of Significant Accounting Policies (continued)

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

Cash and cash equivalents: The School considers all demand accounts and short-term investments with a maturity of three months or less when purchased to be cash and cash equivalents. The School maintains its cash accounts with one financial institution. The School's accounts at this institutions, at times, may exceed the federally insured limit; however, the School's deposits are collateralized in accordance with Chapter 280 of the Florida Statutes (see Note 3).

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

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

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

Depreciation and amortization on all assets are provided on the straight-line basis over the capital assets' estimated useful lives or lease term, whichever is shorter.

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

Compensated absences: The School's policy allows certain employees to carry over unused vacation time during the year. Unused sick leave benefits are not paid upon separation from service. In accordance with GASB Statement No. 101, effective for fiscal year 2025, management has evaluated all employee leave policies using the "more likely than not" recognition criteria and determined that no material liability for compensated absences should be recognized for the year ended June 30, 2025.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred outflows/inflows of resources: In addition to assets, the statement of net position (deficit) 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position (deficit) 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.

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

Budget: An operating budget is adopted and maintained by the governing board for all the governmental funds, 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. A comparison of actual results of operations to the budgeted amounts for the General Fund and Special Revenue Fund are presented as required supplementary information.

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.

Subsequent events: Subsequent events were evaluated by management through September 30, 2025, which is the date the financial statements were available to be issued.

Note 3 - Cash and Cash Equivalents

At June 30, 2025, the carrying amount of the deposits and cash on hand totaled \$ 82,055, with a bank balance of \$ 101,816.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as "qualified public depositories" as defined by Chapter 280 of the Florida Statutes. This Statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and the reporting requirements of the qualified public depositor to the Treasurer is defined by statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits did not exceed federal insured levels of \$ 250,000.

Palm Beach Preparatory Charter Academy Middle School
Notes to Basic Financial Statements
June 30, 2025

Note 4 - Due from Government Agencies

Due from government agencies at June 30, 2025 consists of amounts due from the School Board of Palm Beach County for grant funding of \$ 6,590.

Note 5 - Due to Related Party

Due to related party are amounts that are due to another school that shares common board membership and is a department of the Organization and amounts are expected to be repaid. This balance is for startup costs, bears no interest, and is repayable over two years beginning June 2027 through June 30, 2029. As of June 30, 2025, the outstanding balance is \$ 465,093.

Note 6 - Capital Assets

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

	Balance at July 1, 2024	Additions	Retirements	Balance at June 30, 2025
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets being amortized				
Leased asset: Building	\$ <u> -</u>	\$ <u> 948,130</u>	\$ <u> -</u>	\$ <u> 948,130</u>
Total capital assets being depreciated/amortized	<u> -</u>	<u> 948,130</u>	<u> -</u>	<u> 948,130</u>
Accumulated amortization				
Leased asset: Building	<u> -</u>	<u> 189,626</u>	<u> -</u>	<u> 189,626</u>
Total accumulated depreciation/amortization	<u> -</u>	<u> 189,626</u>	<u> -</u>	<u> 189,626</u>
Net capital assets being depreciated/amortized	\$ <u> -</u>	\$ <u> 758,504</u>	\$ <u> -</u>	\$ <u> 758,504</u>

The School allocated all of the amortization expense to the operation of the facility.

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

The School is currently using approximately \$ 7,500 of fixed assets that are recorded on the books of a related school. The assets are all fully depreciated and new assets are expected to be acquired in future periods.

Palm Beach Preparatory Charter Academy Middle School
Notes to Basic Financial Statements
June 30, 2025

Note 7 - Lease

The School entered into a facility lease effective July 1, 2024 through June 30, 2029. The lease agreement qualifies as other than short-term leases under GASB and, therefore, has been recorded at the present value of the future minimum lease payments. The discount rate used to recognize the intangible right-of-use asset and the lease liability was 4.33%.

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	\$ 180,614	\$ 29,860	\$ 210,474
2027	188,592	21,882	210,474
2028	196,922	13,552	210,474
2029	205,619	4,855	210,474
	<u>\$ 771,747</u>	<u>\$ 70,149</u>	<u>\$ 841,896</u>

The lease activity of the year ended June 30, 2025 is as follows:

	Balance at July 1, 2024	Additions	Retirements	Balance at June 30, 2025	Amount Due Within One Year
Lease - building	\$ -	\$ 948,130	\$ 176,383	\$ 771,747	\$ 180,614

Note 8 - Contingencies and Commitments

Management agreement: The School operates under a management agreement with EdisonLearning, Inc. (“Edison”), which is a third-party education service provider. The contract provided for assisting the School in the performance of various administrative, operating, and financial duties and providing operating equipment. The management agreement’s term is for five academic school years ending with the 2028-2029 school year. The agreement provided for an additional five-year term or such periods that are consistent with the charter contract term. In exchange for the aforementioned services, the School’s Board agreed on a fee annually contained in their budget. For the year ended June 30, 2025, the amount of compensation paid to Edison amounted to approximately \$ 68,000. At June 30, 2025, the School had an amount due from Edison amounting to \$ 26,783.

Post-retirement benefits: The School offers the opportunity to participate in its defined contribution 403(b) plan to eligible employees. The School did not make a contribution to the plan for the year ended June 30, 2025.

Note 9 - Income Taxes

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

Note 10 - 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 have been no claims in excess of insurance coverage limits during the current year.

Note 11 - Deficits

The School has a net position deficit of \$ 371,540 and fund balance deficit of \$ 358,297, which it plans to eliminate with increased enrollment and grant funding in future periods.

Note 12 - Subsequent Event

In July 2025, Edison (see Note 8) entered into an agreement to sell its charter school management business and assets to Achieve Learning LLC. Under this arrangement, Edison will assign its rights, obligations, and interests under the management agreement with the School to the buyer upon closing of the transaction. The School's Board of Directors has provided consent to this assignment.

The transaction closed on July 16, 2025 and all current terms and conditions of the management agreement will remain unchanged, and the School is receiving management services under the existing arrangement with the new provider.

REQUIRED SUPPLEMENTARY
INFORMATION

**Palm Beach Preparatory Charter Academy Middle School
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State sources	\$ 1,984,385	\$ 299,695	\$ 299,695	\$ -
Local sources	<u>195,207</u>	<u>63,068</u>	<u>63,068</u>	<u>-</u>
Total revenues	<u>2,179,592</u>	<u>362,763</u>	<u>362,763</u>	<u>-</u>
Expenditures:				
Current:				
Instruction	948,808	145,628	145,628	-
Instructional support services	112,893	25,790	25,790	-
Fiscal services	416,855	67,945	67,945	-
Board	11,500	4,339	4,339	-
Plant operations and maintenance	711,627	176,574	176,574	-
Administrative services	374,343	90,310	90,310	-
Student transportation services	9,300	-	-	-
Capital outlay	-	948,130	948,130	-
Debt service:				
Principal	-	176,383	176,383	-
Interest	<u>-</u>	<u>34,091</u>	<u>34,091</u>	<u>-</u>
Total expenditures	<u>2,585,326</u>	<u>1,669,190</u>	<u>1,669,190</u>	<u>-</u>
Deficiency in revenues under expenditures	(405,734)	(1,306,427)	(1,306,427)	-
Other Financing Sources:				
Issuance of lease obligation	<u>435,000</u>	<u>948,130</u>	<u>948,130</u>	<u>-</u>
Net change in fund balance	<u>\$ 29,266</u>	<u>\$ (358,297)</u>	<u>(358,297)</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>	
Fund balance, ending			<u>\$ (358,297)</u>	

**Palm Beach Preparatory Charter Academy Middle School
 Budgetary Comparison Schedule - Special Revenue Fund
 For the Year Ended June 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Title I funds	\$ 136,275	\$ 6,590	\$ 6,590	\$ -
IDEA	<u>-</u>	<u>2,483</u>	<u>2,483</u>	<u>-</u>
Total revenues	<u>136,275</u>	<u>9,073</u>	<u>9,073</u>	<u>-</u>
Expenditures:				
Current:				
Instruction	<u>136,275</u>	<u>9,073</u>	<u>9,073</u>	<u>-</u>
Total expenditures	<u>136,275</u>	<u>9,073</u>	<u>9,073</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	-	\$ <u>-</u>
Fund balance, beginning			<u>-</u>	
Fund balance, ending			\$ <u>-</u>	

OTHER AUDITOR'S REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Palm Beach Preparatory Charter Academy Middle School (the "School"), a division of NorthStar Academies, Inc., 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 30, 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 have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
September 30, 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
Palm Beach Preparatory Charter Academy Middle School
Palm Springs, Florida

Report on the Financial Statements

We have audited the governmental activities and each major fund of the financial statements of Palm Beach Preparatory Charter Academy Middle School (the "School"), Florida, as of and for the fiscal year ended June 30, 2025, and have issued our report thereon dated September 30, 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 September 30, 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.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Palm Beach Preparatory Charter Academy Middle School and 500040.

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

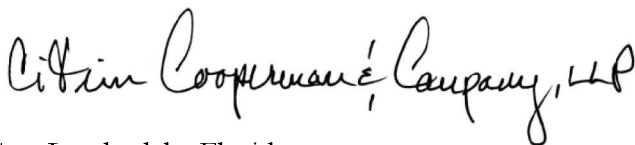
Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with 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 have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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



Fort Lauderdale, Florida
September 30, 2025