

Palm Beach Preparatory Charter Academy

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

Palm Beach Preparatory Charter Academy

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Palm Beach Preparatory Charter Academy (the "School"), a division of NorthStar Academies, Inc., as of and for the year ended June 30, 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 24 and 25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 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 26, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Palm Beach Preparatory Charter Academy (the "School"), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2025, with certain comparative information for 2024.

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

Financial Highlights

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

- The School's total assets exceeded its liabilities at June 30, 2025 by \$ 5,453,511 (net position).
- The School's total revenues were \$ 7,971,041, \$ 5,555,938 from FTE revenues, \$ 1,127,043 from referendum revenues, \$ 210,474 from charges for services, \$ 838,761 from operating and capital grants and contributions, \$ 34,091 from interest income, and \$ 204,734 from miscellaneous revenues. The School's expenses for the year were \$ 7,403,128. Net position for the year increased by \$ 567,913.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the School, assets exceeded liabilities by \$ 5,453,511 at the close of the most recent fiscal year.

Palm Beach Preparatory Charter Academy
Net Position

	2025	2024	Variance
Current and Other Assets	\$ 6,190,569	\$ 4,608,422	\$ 1,582,147
Capital Assets, net	3,189,853	3,444,761	(254,908)
Total assets	9,380,422	8,053,183	1,327,239

Government-Wide Financial Analysis (continued)

Palm Beach Preparatory Charter Academy Net Position (continued)			
	<u>2025</u>	<u>2024</u>	<u>Variance</u>
Current Liabilities	893,365	567,716	325,649
Noncurrent Liabilities	<u>2,275,042</u>	<u>2,599,869</u>	<u>(324,827)</u>
Total liabilities	<u>3,168,407</u>	<u>3,167,585</u>	<u>822</u>
Deferred Inflows of Resources	<u>758,504</u>	<u>-</u>	<u>758,504</u>
Net Position:			
Net investment in capital assets	589,983	532,530	57,453
Restricted	-	835,693	(835,693)
Unrestricted	<u>4,863,528</u>	<u>3,517,375</u>	<u>1,346,153</u>
Total net position	\$ <u><u>5,453,511</u></u>	\$ <u><u>4,885,598</u></u>	\$ <u><u>567,913</u></u>

Current and other assets rose due to an increase in the School's cash position and receivables from the District and a lease. Capital assets, net of depreciation, decreased current year depreciation and amortization of \$ 493,018, offset by the addition of \$ 238,110 in leasehold improvements. Current liabilities increased due to a higher balance in amounts due to management company. Noncurrent liabilities decreased due to the payments on the lease payable.

Governmental activities: The School's overall net position increased \$ 567,913 from the prior fiscal year. The reasons for this overall increase are discussed in the following section for governmental activities.

Palm Beach Preparatory Charter Academy Changes in Net Position			
	<u>2025</u>	<u>2024</u>	<u>Variance</u>
Revenues:			
General revenues:			
FTE nonspecific revenues	\$ 5,555,938	\$ 5,537,989	\$ 17,949
Referendum revenues	1,127,043	2,080,441	(953,398)
Interest income	34,091	-	34,091
Miscellaneous revenues	204,734	15,343	189,391
Program revenues:			
Charges for services	210,474	-	210,474
Operating grants and contributions	96,024	403,641	(307,617)
Capital grants and contributions	<u>742,737</u>	<u>613,607</u>	<u>129,130</u>
Total revenues	<u>7,971,041</u>	<u>8,651,021</u>	<u>(679,980)</u>

Governmental activities (continued)

Palm Beach Preparatory Charter Academy Changes in Net Position (continued)			
	<u>2025</u>	<u>2024</u>	<u>Variance</u>
Expenses:			
Governmental activities:			
Instruction	\$ 2,090,630	\$ 1,565,897	\$ 524,733
Administrative services	451,960	1,028,866	(576,906)
Instructional support services	801,473	937,542	(136,069)
Plant operations and maintenance	2,302,439	2,370,775	(68,336)
Student transportation	53,370	42,000	11,370
Operation of non-instructional services:			
Fiscal services	1,594,669	1,496,354	98,315
Interest expense	108,587	89,288	19,299
Total expenses	<u>7,403,128</u>	<u>7,530,722</u>	<u>(127,594)</u>
Change in net position	567,913	1,120,299	(552,386)
Net position - beginning	<u>4,885,598</u>	<u>3,765,299</u>	<u>1,120,299</u>
Net position - ending	<u>\$ 5,453,511</u>	<u>\$ 4,885,598</u>	<u>567,913</u>

General revenues, compared to the previous year, decreased due to a decrease in referendum funding; additionally, program revenues increased due to lease income offset by lower grant revenues. Total expenses decreased due to lower administrative costs and certain support services.

Financial Analysis of Governmental Funds

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$ 4,377,138, while the total fund balance increased to \$ 4,863,528. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 68.5% of total General Fund expenditures, while total fund balance represents 76.1% of that same amount.

The fund balance of the School's General Fund increased by \$ 540,055, which was primarily attributable to the increase in the student population during the current fiscal year.

The Special Revenue Fund has an increase in fund balance during the current fiscal year due to a transfer from the general fund.

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

Capital Asset and Debt Administration

Capital assets: At June 30, 2025, the School had capital assets of \$ 3,189,853 net of accumulated depreciation and amortization, invested in a leased building, furniture and computer equipment, and leasehold improvements. Capital asset additions for the year included leasehold improvements for \$ 238,110 for a new camera system and a transfer from construction in progress of \$ 110,080 for second floor remodeling. Additional information on the School's capital assets can be found in Note 7 to the financial statements.

Long-term debt: At June 30, 2025, the School had outstanding debt of \$ 2,599,870 as compared to \$ 2,912,231 at June 30, 2024. Additional information on the School's debt can be found in Note 8 to the financial statements.

General Fund Budgetary Highlights

The School amended the General Fund original budget to recognize certain changes in unexpected funding as well as expenditures related to those additional revenues and other administrative costs. State revenues were unfavorable to the original budget by approximately \$ 45,000 due to lower enrollment but were offset by referendum monies unanticipated in the original budget. Total expenditures were favorable to the original budget by approximately \$ 153,000 primarily due to lower staffing costs resulting from budget mitigation efforts due to enrollment. 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 capital outlay funding pool ended up at \$ 231 million. The School's FY24-25 allocations of these funds were \$245,169 and \$392,158, respectively.

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 the student count to remain consistent, therefore the overall effect will be a moderate increase in these revenues categories. Overall, the School expects the revenues available for operations to be consistent with fiscal year 2024-2025.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Palm Beach Preparatory Charter Academy
Statement of Net Position
June 30, 2025

Current Assets:

Cash	\$ 4,345,482
Due from government agencies	600,193
Lease receivable	<u>180,614</u>
Total current assets	<u>5,126,289</u>

Noncurrent Assets:

Deposits and other assets	8,054
Lease receivable	591,133
Due from related party	465,093
Capital assets, net of accumulated depreciation and amortization	<u>3,189,853</u>
Total noncurrent assets	<u>4,254,133</u>

Total assets	<u>9,380,422</u>
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Current Liabilities:

Accounts payable	104,256
Accrued liabilities	60,001
Due to management company	404,280
Lease payable	<u>324,828</u>
Total current liabilities	893,365

Noncurrent Liabilities:

Lease payable	<u>2,275,042</u>
Total liabilities	3,168,407

Deferred Inflows of Resources:

Lease related	<u>758,504</u>
Total liabilities and deferred inflows of resources	<u>3,926,911</u>

Net Position:

Net investment in capital assets	589,983
Unrestricted	<u>4,863,528</u>
Total net position	<u>\$ 5,453,511</u>

See accompanying notes to financial statements.

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

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenues (Expenses) and Change in Net Position</u>
Functions/Programs:					
Governmental activities:					
Regular instruction	\$ 2,090,630	\$ -	\$ 83,662	\$ -	\$ (2,006,968)
Administrative services	451,960	-	-	-	(451,960)
Instructional support services	801,473	-	12,362	-	(789,111)
Plant operations and maintenance	2,302,439	210,474	-	742,737	(1,349,228)
Student transportation	53,370	-	-	-	(53,370)
Operation of non- instructional services:					
Fiscal services	1,594,669	-	-	-	(1,594,669)
Interest expense	<u>108,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(108,587)</u>
Total governmental activities	\$ <u>7,403,128</u>	\$ <u>210,474</u>	\$ <u>96,024</u>	\$ <u>742,737</u>	<u>(6,353,893)</u>
General revenues:					
FTE nonspecific revenues					5,555,938
Referendum revenues					1,127,043
Interest income					34,091
Miscellaneous revenues					<u>204,734</u>
Total general revenues					<u>6,921,806</u>
Change in net position					567,913
Net position, July 1, 2024					<u>4,885,598</u>
Net position, June 30, 2025					\$ <u><u>5,453,511</u></u>

See accompanying notes to financial statements.

**Palm Beach Preparatory Charter Academy
Balance Sheet of Governmental Funds
June 30, 2025**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets:				
Cash	\$ 4,345,482	\$ -	\$ -	\$ 4,345,482
Due from government agencies	600,193	-	-	600,193
Lease receivable	771,747	-	-	771,747
Advance to related party	465,093	-	-	465,093
Deposits and other assets	<u>8,054</u>	<u>-</u>	<u>-</u>	<u>8,054</u>
Total assets	<u>\$ 6,190,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,190,569</u>
Liabilities:				
Accounts payable	\$ 104,256	\$ -	\$ -	\$ 104,256
Accrued liabilities	60,001	-	-	60,001
Due to management company	<u>404,280</u>	<u>-</u>	<u>-</u>	<u>404,280</u>
Total liabilities	<u>568,537</u>	<u>-</u>	<u>-</u>	<u>568,537</u>
Deferred Inflows of Resources:				
Lease related	<u>758,504</u>	<u>-</u>	<u>-</u>	<u>758,504</u>
Fund Balances:				
Nonspendable:				
Leases	13,243	-	-	13,243
Deposits and other assets	8,054	-	-	8,054
Advance to related party	465,093	-	-	465,093
Unassigned	<u>4,377,138</u>	<u>-</u>	<u>-</u>	<u>4,377,138</u>
Total fund balances	<u>4,863,528</u>	<u>-</u>	<u>-</u>	<u>4,863,528</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,190,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,190,569</u>

See accompanying notes to financial statements.

**Palm Beach Preparatory Charter Academy
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2025**

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

Governmental fund balances: \$ 4,863,528

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

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

Cost of capital assets	\$ 6,299,827	
Accumulated depreciation and amortization	<u>(3,109,974)</u>	3,189,853

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

Lease payable		<u>(2,599,870)</u>
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Net Position of Governmental Activities		\$ <u><u>5,453,511</u></u>
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See accompanying notes to financial statements.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues:				
State sources	\$ 5,555,938	\$ -	\$ 392,158	\$ 5,948,096
Federal sources	-	96,024	-	96,024
Local sources	<u>1,605,938</u>	<u>-</u>	<u>350,579</u>	<u>1,956,517</u>
Total revenues	<u>7,161,876</u>	<u>96,024</u>	<u>742,737</u>	<u>8,000,637</u>
Expenditures:				
Current:				
Instruction	1,775,626	83,662	-	1,859,288
Instructional support services	779,575	12,362	-	791,937
Student transportation services	53,370	-	-	53,370
Fiscal services	1,594,669	-	-	1,594,669
Plant operations and maintenance	1,497,168	-	321,789	1,818,957
Administrative services	451,960	-	-	451,960
Capital outlay	238,110	-	-	238,110
Debt service:				
Principal	-	-	312,361	312,361
Interest	<u>-</u>	<u>-</u>	<u>108,587</u>	<u>108,587</u>
Total expenditures	<u>6,390,478</u>	<u>96,024</u>	<u>742,737</u>	<u>7,229,239</u>
Excess of revenues over expenditures	<u>771,398</u>	<u>-</u>	<u>-</u>	<u>771,398</u>
Other Financing Sources (Uses):				
Transfer in	-	231,343	-	231,343
Transfer out	<u>(231,343)</u>	<u>-</u>	<u>-</u>	<u>(231,343)</u>
Total other financing sources (uses)	<u>(231,343)</u>	<u>231,343</u>	<u>-</u>	<u>-</u>
Net change in fund balances	540,055	231,343	-	771,398
Fund Balances (Deficit), July 1, 2024	<u>4,323,473</u>	<u>(231,343)</u>	<u>-</u>	<u>4,092,130</u>
Fund Balances, June 30, 2025	<u>\$ 4,863,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,863,528</u>

See accompanying notes to financial statements.

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

Net Change in Fund Balances - Governmental Funds \$ 771,398

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 depreciation and amortization.

Capital outlay	\$	238,110	
Depreciation and amortization		<u>(493,018)</u>	(254,908)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (231,342)

Revenue recognized in the fund statements previously recognized in the government-wide statements due to not being available in the current period. (29,596)

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 312,361

Change in Net Position on the Statement of Activities \$ 567,913

See accompanying notes to financial statements.

Note 1 - Organization and Operations

Palm Beach Preparatory Charter Academy (the "School") is a division of NorthStar Academies, Inc. (the "Entity"). The School commenced operations in July 2011 and offers classes for high school students in Palm Beach County, Florida. An average of approximately 632 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 NorthStar Academies, Inc. as of June 30, 2025, and 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 ("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 charter was renewed for ten years and is effective until June 30, 2032. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter in which case the School Board is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown.

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

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

The School reports the following major governmental funds:

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

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

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 (if any).
- 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 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.

Note 2 - Summary of Significant Accounting Policies (continued)

- 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 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.

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.

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 revenue in the fund financial statements. This funding is received on a prorated basis over a twelve-month period and is adjusted for changes in FTE student population.

Cash and cash equivalents: The School considers all demand accounts and short-term investments with a maturity of three months or less when purchased to be cash and cash equivalents. The School maintains its cash accounts with two financial institutions. The School’s accounts at these 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.

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

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

Lease receivable: Lease receivable is recorded by the School as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivable is subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the School charges the lessee.

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 shorter of the capital assets estimated useful lives or lease term as follows:

Furniture and equipment	3-5 years
Leasehold improvements	5 years

Right-of-use asset: The School has recorded a right-of-use lease asset 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 as of June 30, 2025.

Unearned revenue: Unearned revenue arises when the School receives resources before it has a 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 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 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 reports a deferred inflow of resources representing deferred rental income related to the School's lease receivable (see Note 5), which will be amortized evenly over the life of the lease.

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

Budget: An operating budget is adopted and maintained by the governing board for the General Fund and Special Revenue Fund, pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements. 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 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 26, 2025, which is the date on which 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 \$ 4,345,482, with a bank balance of \$ 4,350,926.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as "qualified public depositories" as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and the reporting requirements of the qualified public depositor to the Treasurer is defined by statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should need arise. The School's deposits of \$ 4,099,926, in excess of the federal insured level of \$ 250,000, are held in a qualified public depository and are covered by the collateral pool held in the name of the financial institution's trust department or agent but not in the School's name.

Note 4 - Due from Government Agencies

Due from government agencies at June 30, 2025 consists of amounts due from the School Board for the following: \$ 29,609 of capital outlay funding, \$ 449,486 of FTE funding, and \$ 121,098 of grant funding.

Note 5 - Lease Receivable

The School entered into sublease agreement, for a portion of the School’s building, with Palm Beach Preparatory Charter Academy Middle School (the “Tenant”), a related school and division of NorthStar Academies, Inc. The School’s lease with the Tenant is through June 30, 2029. This lease requires fixed payments of approximately \$ 17,500 per month, including interest at 4.33%, through the term of the lease. At June 30, 2025, in relation to this lease, the School has a lease receivable of \$ 771,747 and deferred rental income of \$ 758,504. For the year ended June 30, 2025, the School recognized approximately \$ 176,000 in rental income and \$ 34,000 in interest income.

Future minimum payments under the lease due to the School through maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 180,614	\$ 29,860	\$ 210,474
2027	188,592	21,882	210,474
2028	196,922	13,552	210,474
2029	<u>205,619</u>	<u>4,855</u>	<u>210,474</u>
	<u>\$ 771,747</u>	<u>\$ 70,149</u>	<u>\$ 841,896</u>

Note 6 - Advance to Related Party

During the year ended June 30, 2025, the School advanced \$ 500,000 to Palm Beach Preparatory Charter Academy Middle School, a related school and a division of NorthStar Academies, Inc., for startup costs. The advance is interest-free and repayable over two years beginning June 2027 through June 30, 2029. As of June 30, 2025, the outstanding balance on the advance is \$ 465,093.

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

Note 7 - Capital Assets

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

	Balance at July 1, 2024	Additions	Transfers	Balance at June 30, 2025
Capital assets not being depreciated/amortized				
Construction in progress	\$ 110,080	\$ -	\$ (110,080)	\$ -
Capital assets being depreciated/amortized				
Furniture and equipment	868,160	-	-	868,160
Leasehold improvements	390,720	238,110	110,080	738,910
Lease asset: Building	4,692,757	-	-	4,692,757
Total capital assets being depreciated/amortized	<u>5,951,637</u>	<u>238,110</u>	<u>110,080</u>	<u>6,299,827</u>
Accumulated depreciation/amortization:				
Furniture and equipment	838,006	9,536	-	847,542
Leasehold improvements	329,337	69,900	-	399,237
Lease asset: Building	1,449,613	413,582	-	1,863,195
Total accumulated depreciation/amortization	<u>2,616,956</u>	<u>493,018</u>	<u>-</u>	<u>3,109,974</u>
Net capital assets	<u>\$ 3,444,761</u>	<u>\$ (254,908)</u>	<u>\$ -</u>	<u>\$ 3,189,853</u>

The provision for depreciation and amortization for the year ended June 30, 2025 amounted to \$ 493,018. The School allocated \$ 79,436, 16%, of the depreciation and amortization to instructional support services and \$ 413,582, 84%, to the operation of the facility.

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

Note 8 - Lease

The School has an existing lease through July 31, 2032 for its building. The lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the commencement date of December 15, 2023. The discount rate used to recognize the intangible right-of-use asset and the lease liability was 3.92%.

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

Year Ending June 30,	Principal	Interest	Total
2026	\$ 324,828	\$ 96,120	\$ 420,948
2027	337,793	83,155	420,948
2028	351,275	69,674	420,949
2029	365,295	55,653	420,948
2030	379,875	41,074	420,949
2031-2032	<u>840,804</u>	<u>36,172</u>	<u>876,976</u>
	<u>\$ 2,599,870</u>	<u>\$ 381,848</u>	<u>\$ 2,981,718</u>

Note 8 - Lease (continued)

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

	Balance at July 1, 2024	Additions	Retirements	Balance at June 30, 2025	Amount Due Within One Year
Lease - building	\$ <u>2,912,231</u>	\$ <u>-</u>	\$ <u>312,361</u>	\$ <u>2,599,870</u>	\$ <u>324,828</u>

Note 9 - Contingencies and Commitments

Management agreement: The School operates under a management agreement with EdisonLearning, Inc. (“Edison”), which is a third-party education service provider. The contract provided for assisting the School in the performance of various administrative, operating, and financial duties. The management agreement’s term was for five academic school years beginning with the 2011-2012 school year and was renewed through the 2025-2026 school year to be concurrent with the Charter with the School Board of Palm Beach County, Florida. The agreement provided for an additional five- year term or such periods that are consistent with the Charter contract term. In exchange for the aforementioned services, the Board of Directors of the School agreed on a fee annually contained in their budget. For the year ended June 30, 2025, management fee expense totaled approximately \$ 1,500,000. At June 30, 2025, the School had a balance due to the management company of \$ 404,280.

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 10 - Capital Appropriations Funding

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes those funds are allocated among eligible charter schools. The funds for the School’s allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring board. The School’s CSCO Award totaled \$ 392,158 for the 2024/2025 school year which has been recognized as revenue in the accompanying financial statements. If the CSCO funds are used to acquire tangible property assets, the School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School Board. The School has elected to use these funds to pay a portion of the principal and interest expense on the lease.

Local Capital Improvement Revenue (LCIR) funds are also appropriated by the School Board for charter school capital outlay purposes, with funds being allocated among eligible charter schools in a similar manner to the CSCO Award. The School’s LCIR Award totaled \$ 350,579 for the 2024/2025 school year which has been recognized as revenue in the accompanying financial statements.

Note 11 - 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 12 - Risk Management

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

Note 13 - Referendum Settlement

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

The School filed an action against the School Board asserting that the School Board breached its contractual obligation to pay the School their proportionate share of the 2018 Referendum Levy. In March 2024, the Florida Commissioner of Education directed a Memorandum to the Florida State Board of Education, finding probable cause that the School Board was not in compliance with Florida law as a result of not sharing revenues generated by the 2018 Referendum. A settlement was reached between the School Board and the School. For the year ended June 30, 2025, the School recognized \$ 1,127,043 of Referendum revenues.

Note 14 - Subsequent Event

In July 2025, Edison (see Note 9) 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
 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	\$ 5,601,149	\$ 5,555,938	\$ 5,555,938	\$ -
Local sources	<u>953,000</u>	<u>1,605,938</u>	<u>1,605,938</u>	<u>-</u>
Total revenues	<u>6,554,149</u>	<u>7,161,876</u>	<u>7,161,876</u>	<u>-</u>
Expenditures:				
Current:				
Instruction	2,292,601	1,775,626	1,775,626	-
Instructional support services	862,433	779,575	779,575	-
Student transportation services	47,250	53,370	53,370	-
Fiscal services	1,406,638	1,594,669	1,594,669	-
Plant operations and maintenance	1,509,258	1,497,168	1,497,168	-
Administrative services	373,310	451,960	451,960	-
Capital outlay	<u>51,682</u>	<u>238,110</u>	<u>238,110</u>	<u>-</u>
Total expenditures	<u>6,543,172</u>	<u>6,390,478</u>	<u>6,390,478</u>	<u>-</u>
Excess of revenues over expenditures	10,977	771,398	771,398	-
Other Financing Uses:				
Transfer out	<u>-</u>	<u>(231,343)</u>	<u>(231,343)</u>	<u>-</u>
Net change in fund balance	<u>\$ 10,977</u>	<u>\$ 540,055</u>	540,055	<u>\$ -</u>
Fund balance, beginning			<u>4,323,473</u>	
Fund balance, ending			<u>\$ 4,863,528</u>	

**Palm Beach Preparatory Charter Academy
 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 1	\$ 127,838	\$ 78,253	\$ 78,253	\$ -
IDEA grant	<u>24,635</u>	<u>17,771</u>	<u>17,771</u>	<u>-</u>
Total revenues	<u>152,473</u>	<u>96,024</u>	<u>96,024</u>	<u>-</u>
Expenditures:				
Current:				
Instruction	140,111	83,662	83,662	-
Instructional support services	<u>12,362</u>	<u>12,362</u>	<u>12,362</u>	<u>-</u>
Total expenditures	<u>152,473</u>	<u>96,024</u>	<u>96,024</u>	<u>-</u>
Excess of revenues over expenditures	-	-	-	-
Other Financing Sources:				
Transfer in	<u>-</u>	<u>231,343</u>	<u>231,343</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 231,343</u>	231,343	<u>\$ -</u>
Fund balance (deficit), beginning			<u>(231,343)</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
Palm Springs, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Palm Beach Preparatory Charter Academy (the "School"), a division of NorthStar Academies, Inc., as of and for the year ended June 30, 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 26, 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 26, 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
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 (the "School"), Florida, as of and for the fiscal year ended June 30, 2025, and have issued our report thereon dated September 26, 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 26, 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. 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 and 503971.



Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific 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 26, 2025

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