

# G-Star School of the Arts, Inc.

Basic Financial Statements  
For the Year Ended June 30, 2021



## G-Star School of the Arts, Inc.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
G-Star School of the Arts, Inc.  
Palm Springs, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of G-Star School of the Arts, Inc. (the "School") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and budgetary comparison for the General Fund and Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as shown in the table of contents, be presented to supplement the basic financial statements. Such information, 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, 2021, 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 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 30, 2021

# MANAGEMENT'S DISCUSSION AND ANALYSIS



**G-Star School of the Arts, Inc.**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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As management of G-Star School of the Arts, Inc. (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 years ended June 30, 2021 and 2020.

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

### **Financial Highlights**

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

- As of June 30, 2021, the School's governmental fund balances were \$ 576,077 as compared to \$ 86,792 as of June 30, 2020.
- As of June 30, 2021, the School's net position for business-type activities was \$ 131,089 as compared to \$ 30,245 as of June 30, 2020.
- As of June 30, 2021 the School had net position (deficit) for governmental activities of \$ (4,109,776) as compared to \$ (3,921,261) as of June 30, 2020.

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

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

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

The statement of net position presents information on all of the School's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two 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).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the School include instruction, instructional support services and non-instructional services. The business-type activities of the School include operation of a sound stage and motion picture productions.

The government-wide basic financial statements can be found on pages 8 and 9 of this report.

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

**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 government-wide basic financial statements, governmental fund basic financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

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

The School maintains several individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The General Fund, Grants Fund, and Capital Project 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 Grants Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 10 through 15 of this report.

**Proprietary Fund:** The School has one proprietary fund, which is an enterprise fund. An *enterprise fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The School uses the enterprise fund to account for the operations of their sound stage and motion picture productions.

The basic proprietary fund financial statements can be found on pages 16 through 18 of this report.

**Notes to Basic Financial Statements:** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 19 through 35 of this report.

## Government-Wide Financial Analysis

The School has been in operation for eighteen years; therefore, comparative government-wide data is presented. The School's net position (deficit) was \$ (3,978,687) at June 30, 2021. This amount represents net investment in capital assets (deficit) of \$ (695,893), unrestricted net position (deficit) of \$ (3,319,781) and restricted net position of \$ 36,987. The School's net position (deficit) was \$ (3,891,016) at June 30, 2020. This amount represented net investment in capital assets (deficit) of \$ (697,706), unrestricted net position (deficit) of \$ (3,200,897) and restricted net position of \$ 7,587.



**G-Star School of the Arts, Inc.**  
**Management’s Discussion and Analysis**  
**June 30, 2021**

Our analysis in the table below focuses on the net position of the School’s governmental activities:

**G-Star School of the Arts, Inc.**  
**Net Position (Deficit)**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 949,083	\$ 457,224	\$ 123,711	\$ 24,306	\$ 1,072,794	\$ 481,530
Internal balances	(7,378)	(7,378)	7,378	7,378	-	-
Capital assets	5,243,541	5,365,977	-	-	5,243,541	5,365,977
<b>Total assets</b>	<b>6,185,246</b>	<b>5,815,823</b>	<b>131,089</b>	<b>31,684</b>	<b>6,316,335</b>	<b>5,847,507</b>
Deferred outflows related to pensions	810,330	976,626	-	-	810,330	976,626
Obligation under interest rate swap	351,427	580,944	-	-	351,427	580,944
Other long-term liabilities outstanding	9,545,037	9,056,045	-	-	9,545,037	9,056,045
Current liabilities	561,653	618,358	-	1,439	561,653	619,797
<b>Total liabilities</b>	<b>10,458,117</b>	<b>10,255,347</b>	<b>-</b>	<b>1,439</b>	<b>10,458,117</b>	<b>10,256,786</b>
Deferred inflows related to pensions	647,235	458,363	-	-	647,235	458,363
Net position (deficit):						
Net investment in capital assets (deficit)	(695,893)	(697,706)	-	-	(695,893)	(697,706)
Restricted	36,987	7,587	-	-	36,987	7,587
Unrestricted	(3,450,870)	(3,231,142)	131,089	30,245	(3,319,781)	(3,200,897)
<b>Total net position (deficit)</b>	<b>\$ (4,109,776)</b>	<b>\$ (3,921,261)</b>	<b>\$ 131,089</b>	<b>\$ 30,245</b>	<b>\$ (3,978,687)</b>	<b>\$ (3,891,016)</b>

Governmental Activities - Current and other assets increased mainly due to an increase in the School’s cash position and deposit amounts. Capital assets decreased due to depreciation taken during the year. Total liabilities increased due to the School’s execution of a promissory note under the Paycheck Protection Program (“PPP”).

Business-type Activities - Current and other assets increased mainly due to an increase in cash and cash equivalents. Total liabilities decreased relative to prior year due to a reduction in accounts payable.

**G-Star School of the Arts, Inc.**  
**Management's Discussion and Analysis**  
**June 30, 2021**

The results of this year's operations for the School as a whole are reported in the statement of activities on page 9. The table below provides a condensed presentation of the School's revenues and expenses for the year ended June 30, 2021 and 2020:

**G-Star School of the Arts, Inc.**  
**Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 200	\$ -	\$ 109,126	\$ 28,038	\$ 109,326	\$ 28,038
Operating grants and contributions	631,137	764,129	-	-	631,137	764,129
Capital grants and contributions	408,434	404,244	-	-	408,434	404,244
General revenues:						
State funds	5,580,829	5,269,742	-	-	5,580,829	5,269,742
Local and other	1,767	212,665	244	52	2,011	212,717
Total revenues	<u>6,622,367</u>	<u>6,650,780</u>	<u>109,370</u>	<u>28,090</u>	<u>6,731,737</u>	<u>6,678,870</u>
Expenses:						
Instructional services	3,801,471	3,537,276	-	-	3,801,471	3,537,276
System-wide support services	3,028,480	3,114,321	-	-	3,028,480	3,114,321
Interest and other charges	210,448	220,025	-	-	210,448	220,025
Motion picture productions	-	-	8,526	1,740	8,526	1,740
Total expenses	<u>7,040,399</u>	<u>6,871,622</u>	<u>8,526</u>	<u>1,740</u>	<u>7,048,925</u>	<u>6,873,362</u>
Transfers in (out)	-	-	-	-	-	-
Change in net position prior to change in fair value of interest rate swap	<u>(418,032)</u>	<u>(220,842)</u>	<u>100,844</u>	<u>26,350</u>	<u>(317,188)</u>	<u>(194,492)</u>
Change in fair value of interest rate swap	<u>229,517</u>	<u>(346,011)</u>	<u>-</u>	<u>-</u>	<u>229,517</u>	<u>(346,011)</u>
Change in net position	(188,515)	(566,853)	100,844	26,350	(87,671)	(540,503)
Net position, (deficit), July 1, as restated	<u>(3,921,261)</u>	<u>(3,354,408)</u>	<u>30,245</u>	<u>3,895</u>	<u>(3,891,016)</u>	<u>(3,350,513)</u>
Net position (deficit), June 30	<u>\$ (4,109,776)</u>	<u>\$ (3,921,261)</u>	<u>\$ 131,089</u>	<u>\$ 30,245</u>	<u>\$ (3,978,687)</u>	<u>\$ (3,891,016)</u>

Governmental Activities - Total revenues decreased mainly due to a decrease in the contribution from CSUSA. Total expenses increased due to an increase in instructional services.

Business-type Activities - Total revenues and expenses increased from prior year (being hardest hit by COVID-19 School closure) due to increased usage of sound stage and motion picture productions.

### Governmental Fund Expenditures

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

Functions/Programs	2021		2020	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instruction	\$ 3,469,371	50%	\$ 3,256,500	49%
Administrative services	1,016,292	15%	990,023	15%
Plant operations and maintenance	876,532	12%	820,750	12%
Debt service	466,900	7%	596,556	9%
Transportation services	257,326	4%	475,130	7%
All other functions/programs	810,369	12%	502,551	8%
Total governmental expenditures	\$ 6,896,790	100%	\$ 6,641,510	100%

### Capital Assets and Debt Administration

**Capital assets:** At June 30, 2021, the School had capital assets of \$ 5,243,541, net of accumulated depreciation, invested in land, buildings and improvements, furniture, fixtures and equipment, and vehicles, as compared to \$ 5,365,977 at June 30, 2020.

**Debt:** At June 30, 2021, the School had outstanding debt of \$ 6,649,212, as compared to \$ 6,127,392 at June 30, 2020. Additional information on the School's debt can be found in Notes 5 through 8 on pages 24 through 26.

### General Fund Budgetary Highlights

Total state source revenues were unfavorable to budget due to an enrollment shortfall. Local source revenues were also unfavorable to budget due to the School not receiving budgeted class fee revenues. Total expenditures were favorable to budget mainly due to savings in transportation services. Overall, the School ended the year with a change in fund balance that was favorable to the budget by approximately \$ 460,000.

### Economic Factors and Next Year's Budget

In fiscal year 2021, the State of Florida increased its Florida Education Finance Program (FEFP) base funding to include a teacher salary increase pool of \$ 500 million and mental health initiative allocations. The capital outlay funding pool increased to \$ 169.6 million. A 2% merit increase was paid out to eligible staff.

For fiscal year 2022, the Florida Education Finance Program funding and the capital outlay revenue assumed at a flat rate in comparison to the current rate per student. The teacher salary allocation will continue to be a part of the base FEFP funding. A 2% merit increase for all staff was included in the budget. All other expenditures are budgeted in alignment with enrollment changes and the School's strategic objectives.

### Requests for Information

If you have any questions about this report or need additional information, please write Myrna Lainé-Hyppolite, Senior Vice President - Finance and School Accounting; Charter Schools USA, 800 Corporate Drive, Suite 700, Fort Lauderdale, Florida 33308.

# BASIC FINANCIAL STATEMENTS

**G-Star School of the Arts, Inc.**  
**Statement of Net Position (Deficit)**  
**June 30, 2021**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 512,088	\$ 123,711	\$ 635,799
Due from other governments	45,820	-	45,820
Due from management company	155,934	-	155,934
Other receivables	1,747	-	1,747
Internal balances	(7,378)	7,378	-
Prepaid items	42,438	-	42,438
Deposits	191,056	-	191,056
Total current assets	<u>941,705</u>	<u>131,089</u>	<u>1,072,794</u>
<b>Noncurrent Assets:</b>			
Capital assets (depreciable), net of accumulated depreciation	<u>5,243,541</u>	<u>-</u>	<u>5,243,541</u>
Total noncurrent assets	<u>5,243,541</u>	<u>-</u>	<u>5,243,541</u>
Total assets	<u>6,185,246</u>	<u>131,089</u>	<u>6,316,335</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows related to pensions	<u>810,330</u>	<u>-</u>	<u>810,330</u>
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	73,587	-	73,587
Salaries and wages payable	277,477	-	277,477
Accrued interest payable	8,747	-	8,747
Capital lease	12,610	-	12,610
Bonds payable	189,232	-	189,232
Total current liabilities	<u>561,653</u>	<u>-</u>	<u>561,653</u>
<b>Noncurrent Liabilities:</b>			
Obligation under interest rate swap	351,427	-	351,427
Net pension liability	3,097,667	-	3,097,667
Note payable	709,778	-	709,778
Capital lease	45,988	-	45,988
Bonds payable	5,691,604	-	5,691,604
Total noncurrent liabilities	<u>9,896,464</u>	<u>-</u>	<u>9,896,464</u>
Total liabilities	<u>10,458,117</u>	<u>-</u>	<u>10,458,117</u>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows related to pensions	<u>647,235</u>	<u>-</u>	<u>647,235</u>
<b>Commitments (Note 12)</b>			
	-	-	-
<b>Net Position (Deficit):</b>			
Net investment in capital assets	(695,893)	-	(695,893)
Restricted for extracurricular activities	36,987	-	36,987
Unrestricted (deficit)	<u>(3,450,870)</u>	<u>131,089</u>	<u>(3,319,781)</u>
Total net position (deficit)	<u>\$ (4,109,776)</u>	<u>\$ 131,089</u>	<u>\$ (3,978,687)</u>

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

**G-Star School of the Arts, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Instruction	\$ 3,801,471	\$ -	\$ 344,165	\$ -	\$ (3,457,306)	\$ -	\$ (3,457,306)
Student support services	275,791	-	-	-	(275,791)	-	(275,791)
Instructional media services	460	-	-	-	(460)	-	(460)
Instructional and curriculum development services	1,592	-	-	-	(1,592)	-	(1,592)
Instructional staff training services	15,582	-	-	-	(15,582)	-	(15,582)
Instruction related technology	89,720	-	-	-	(89,720)	-	(89,720)
Board	26,475	-	-	-	(26,475)	-	(26,475)
School administration	1,016,292	-	-	-	(1,016,292)	-	(1,016,292)
Fiscal services	266	-	-	-	(266)	-	(266)
Food services	50	-	-	-	(50)	-	(50)
Central services	141,676	-	-	-	(141,676)	-	(141,676)
Transportation services	257,326	-	171,576	-	(85,750)	-	(85,750)
Operation of plant	978,730	-	14,564	408,434	(555,732)	-	(555,732)
Maintenance of plant	153,088	-	-	-	(153,088)	-	(153,088)
Community services	-	200	-	-	200	-	200
Extracurricular activities	71,432	-	100,832	-	29,400	-	29,400
Interest on long-term debt	210,448	-	-	-	(210,448)	-	(210,448)
Total governmental activities	<u>7,040,399</u>	<u>200</u>	<u>631,137</u>	<u>408,434</u>	<u>(6,000,628)</u>	<u>-</u>	<u>(6,000,628)</u>
Business-type activities:							
Motion picture productions	<u>8,526</u>	<u>109,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,600</u>	<u>100,600</u>
Total business-type activities	<u>8,526</u>	<u>109,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,600</u>	<u>100,600</u>
Total primary government	<u>\$ 7,048,925</u>	<u>\$ 109,326</u>	<u>\$ 631,137</u>	<u>\$ 408,434</u>	<u>(6,000,628)</u>	<u>100,600</u>	<u>(5,900,028)</u>
General revenues:							
Grants and entitlements					5,580,829	-	5,580,829
Investment income					1,116	244	1,360
Miscellaneous					651	-	651
Total general revenues					<u>5,582,596</u>	<u>244</u>	<u>5,582,840</u>
Change in net position before change in fair value of interest rate swap							
					<u>(418,032)</u>	<u>100,844</u>	<u>(317,188)</u>
Change in fair value of interest rate swap (Note 5)							
					<u>229,517</u>	<u>-</u>	<u>229,517</u>
Change in net position							
					<u>(188,515)</u>	<u>100,844</u>	<u>(87,671)</u>
Net position (deficit), July 1, 2020, as restated (Note 13)							
					<u>(3,921,261)</u>	<u>30,245</u>	<u>(3,891,016)</u>
Net position (deficit), June 30, 2021							
					<u>\$ (4,109,776)</u>	<u>\$ 131,089</u>	<u>\$ (3,978,687)</u>

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

**G-Star School of the Arts, Inc.**  
**Balance Sheet - Governmental Funds**  
**June 30, 2021**

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Club and Activities Fund</u>	<u>Total</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 427,360	\$ -	\$ -	\$ 84,728	\$ 512,088
Due from other governments	14,564	-	31,256	-	45,820
Due from management company	155,934	-	-	-	155,934
Other receivables	1,747	-	-	-	1,747
Due from other funds	78,997	-	-	-	78,997
Prepaid items	42,438	-	-	-	42,438
Deposits	191,056	-	-	-	191,056
	<u>912,096</u>	<u>-</u>	<u>31,256</u>	<u>84,728</u>	<u>1,028,080</u>
Total assets	\$ <u>912,096</u>	\$ <u>-</u>	\$ <u>31,256</u>	\$ <u>84,728</u>	\$ <u>1,028,080</u>
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 73,587	\$ -	\$ -	\$ -	\$ 73,587
Salaries and wages payable	277,477	-	-	-	277,477
Due to Enterprise Fund	7,378	-	-	-	7,378
Due to other funds	-	-	31,256	47,741	78,997
	<u>358,442</u>	<u>-</u>	<u>31,256</u>	<u>47,741</u>	<u>437,439</u>
Total liabilities	<u>358,442</u>	<u>-</u>	<u>31,256</u>	<u>47,741</u>	<u>437,439</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenues	14,564	-	-	-	14,564
	<u>14,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,564</u>
Total deferred inflows of resources	<u>14,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,564</u>
<b>Commitments (Note 12)</b>					
	-	-	-	-	-
<b>Fund Balances:</b>					
Nonspendable:					
Prepaid items	42,438	-	-	-	42,438
Deposits	191,056	-	-	-	191,056
Restricted for extracurricular activities	-	-	-	36,987	36,987
Unassigned	305,596	-	-	-	305,596
	<u>305,596</u>	<u>-</u>	<u>-</u>	<u>36,987</u>	<u>305,596</u>
Total fund balances	<u>539,090</u>	<u>-</u>	<u>-</u>	<u>36,987</u>	<u>576,077</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>912,096</u>	\$ <u>-</u>	\$ <u>31,256</u>	\$ <u>84,728</u>	\$ <u>1,028,080</u>

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

**G-Star School of the Arts, Inc.**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position (Deficit)**  
**June 30, 2021**

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**Total Fund Balances - Governmental Funds** \$ 576,077

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

The cost of capital assets acquired is reported as an expenditure in the governmental funds. The statement of net position (deficit) includes those capital assets, net of accumulated depreciation, among the assets of the School as a whole.

Cost of capital assets	\$ 9,251,073	
Accumulated depreciation	<u>(4,007,532)</u>	5,243,541

Unavailable revenue in the governmental funds is susceptible to full accrual in the government-wide statements.		14,564
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Long-term assets are not available to pay for current period expenditures and, therefore, are not recorded in the funds:

Deferred outflows related to pensions		810,330
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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.

Accrued interest payable	\$ (8,747)	
Obligation under interest rate swap	(351,427)	
Note payable	(709,778)	
Capital lease	(58,598)	
Bonds payable	(5,880,836)	
Net pension liability	(3,097,667)	
Deferred inflows related to pensions	<u>(647,235)</u>	<u>(10,754,288)</u>

**Net Position (Deficit) of Governmental Activities** \$ (4,109,776)

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



**G-Star School of the Arts, Inc.**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Club and Activities Fund</u>	<u>Total</u>
<b>Revenues:</b>					
Federal through state	\$ -	\$ 100,584	\$ -	\$ -	\$ 100,584
State sources	5,995,986	-	408,434	-	6,404,420
Local sources	1,767	-	-	100,832	102,599
Aftercare	200	-	-	-	200
Total revenues	<u>5,997,953</u>	<u>100,584</u>	<u>408,434</u>	<u>100,832</u>	<u>6,607,803</u>
<b>Expenditures:</b>					
Instruction	3,439,044	30,327	-	-	3,469,371
Student support services	275,791	-	-	-	275,791
Instructional media services	460	-	-	-	460
Instruction and curriculum development services	1,592	-	-	-	1,592
Instructional staff training services	15,582	-	-	-	15,582
Instruction related technology	89,720	-	-	-	89,720
Board	26,475	-	-	-	26,475
School administration	1,016,292	-	-	-	1,016,292
Fiscal services	266	-	-	-	266
Food services	50	-	-	-	50
Central services	141,676	-	-	-	141,676
Transportation services	257,326	-	-	-	257,326
Operation of plant	315,010	-	408,434	-	723,444
Maintenance of plant	153,088	-	-	-	153,088
Extracurricular activities	-	-	-	71,432	71,432
Capital outlay	117,068	70,257	-	-	187,325
Debt service:					
Principal	256,452	-	-	-	256,452
Interest	210,448	-	-	-	210,448
Total expenditures	<u>6,316,340</u>	<u>100,584</u>	<u>408,434</u>	<u>71,432</u>	<u>6,896,790</u>
Excess (deficiency) of revenues over expenditures	<u>(318,387)</u>	<u>-</u>	<u>-</u>	<u>29,400</u>	<u>(288,987)</u>
<b>Other Financing Sources:</b>					
Proceeds from note payable	709,778	-	-	-	709,778
Proceeds from capital lease	68,494	-	-	-	68,494
Total other financing sources	<u>778,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>778,272</u>
Net change in fund balances	459,885	-	-	29,400	489,285
<b>Fund Balances, July 1, 2020, as Restated (Note 13)</b>	<u>79,205</u>	<u>-</u>	<u>-</u>	<u>7,587</u>	<u>86,792</u>
<b>Fund Balances, June 30, 2021</b>	<u>\$ 539,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,987</u>	<u>\$ 576,077</u>

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

**G-Star School of the Arts, Inc.  
Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances  
of the Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2021**

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**Net Change in Fund Balances - Governmental Fund** \$ 489,285

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

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

Cost of capital assets	\$ 187,325	
Provision for depreciation	<u>(309,761)</u>	(122,436)

Debt proceeds provide current financial resources to governmental fund, but issuing debt increases long-term liabilities in the statement of net positions (deficit).

Proceeds from note payable	\$ (709,778)	
Proceeds from capital lease	<u>(68,494)</u>	(778,272)

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

14,564

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

256,452

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

Change in fair value under interest rate swap	\$ 229,517	
Change in net pension liability	77,543	
Changes in deferred outflows related to pensions	(166,296)	
Change in deferred inflows related to pensions	<u>(188,872)</u>	<u>(48,108)</u>

**Change in Net Position of Governmental Activities** \$ (188,515)

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

**G-Star School of the Arts, Inc.**  
**Statement of Revenues and Expenditures -**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>			
State sources	\$ 6,507,231	\$ 5,995,986	\$ (511,245)
Local sources	243,615	1,767	(241,848)
Aftercare	-	200	200
	<u>6,750,846</u>	<u>5,997,953</u>	<u>(752,893)</u>
Total revenues			
<b>Expenditures:</b>			
Instruction	3,443,866	3,439,044	4,822
Student support services	208,744	275,791	(67,047)
Instructional media services	-	460	(460)
Instruction and curriculum development services	-	1,592	(1,592)
Instructional staff training services	64,161	15,582	48,579
Instruction related technology	137,150	89,720	47,430
Board	33,500	26,475	7,025
School administration	1,036,398	1,016,292	20,106
Food services	-	50	(50)
Fiscal services	2,831	266	2,565
Central services	49,031	141,676	(92,645)
Transportation services	661,139	257,326	403,813
Operation of plant	309,051	315,010	(5,959)
Maintenance of plant	214,793	153,088	61,705
Capital outlay	139,411	117,068	22,343
Debt service:			
Principal	246,557	256,452	(9,895)
Interest	204,214	210,448	(6,234)
	<u>6,750,846</u>	<u>6,316,340</u>	<u>434,506</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(318,387)</u>	<u>(318,387)</u>
<b>Other Financing Sources:</b>			
Proceeds from note payable	-	709,778	709,778
Proceeds from capital lease	-	68,494	68,494
	<u>-</u>	<u>778,272</u>	<u>778,272</u>
Total other financing sources			
Net change in fund balance	\$ <u>-</u>	\$ <u>459,885</u>	\$ <u>459,885</u>

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

**G-Star School of the Arts, Inc.**  
**Statement of Revenues and Expenditures -**  
**Budget and Actual - Grants Fund**  
**For the Year Ended June 30, 2021**

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	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>			
Federal sources:			
IDEA	\$ 20,965	\$ 28,900	\$ 7,935
Elementary and Secondary School Emergency Relief Fund	-	70,657	70,657
Governor's Emergency Education Relief Fund	-	1,027	1,027
	<u>20,965</u>	<u>100,584</u>	<u>79,619</u>
Total revenues	<u>20,965</u>	<u>100,584</u>	<u>79,619</u>
<b>Expenditures:</b>			
Instruction	-	30,327	(30,327)
Student support services	20,965	-	20,965
Capital outlay	-	70,257	(70,257)
	<u>20,965</u>	<u>100,584</u>	<u>(79,619)</u>
Total expenditures	<u>20,965</u>	<u>100,584</u>	<u>(79,619)</u>
Net change in fund balance	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

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

**G-Star School of the Arts, Inc.**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2021**

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	<b>Enterprise Fund</b>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 123,711
Due from General Fund	<u>7,378</u>
Total current assets	\$ <u><u>131,089</u></u>
<b>Liabilities</b>	\$ <u>-</u>
<b>Net Position:</b>	
Unrestricted	<u>131,089</u>
Total net position	\$ <u><u>131,089</u></u>

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

**G-Star School of the Arts, Inc.**  
**Statement of Revenues, Expenses and Changes in Net Position -**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

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	<u>Enterprise Fund</u>
<b>Operating Revenues:</b>	
Rental income	\$ 109,126
Interest income	<u>244</u>
Total operating revenues	<u>109,370</u>
<b>Operating Expenses:</b>	
Movie production expense	<u>8,526</u>
Total operating expenses	<u>8,526</u>
Change in net position	100,844
<b>Total Net Position - July 1, 2020</b>	<u>30,245</u>
<b>Total Net Position - June 30, 2021</b>	<u>\$ 131,089</u>

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

**G-Star School of the Arts, Inc.**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

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	<b>Enterprise Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 110,409
Cash paid for goods and services	<u>(9,965)</u>
Net cash used by operating activities	<u>100,444</u>
Net increase in cash	100,444
<b>Balances - July 1, 2020</b>	<u>23,267</u>
<b>Balances - June 30, 2021</b>	<u>\$ 123,711</u>
<b>Reconciliation of Operating Income to Net Cash Used by Operating Activities:</b>	
Operating income	\$ 100,844
<b>Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:</b>	
Decrease in other receivables	1,039
Increase (decrease) in accounts payable and accrued liabilities	<u>(1,439)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 100,444</u>

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

## **Note 1 - Organization and Operations**

G-Star School of the Arts, Inc. (the "School") is a not-for-profit public, charter high school that was established in 2003 in Palm Beach County. A central component of the School's vision is to create an on-going and self-sustaining feature-film industry in Palm Beach County and South Florida. In this way the School's students will go on to graduate from college and return to be employed in a film industry that the School has helped develop. The School's students are intended to be the future writers, directors, producers, actors, editors, and crew for that industry. The School develops the film industry with the purpose of employing its students after they graduate from college. The governing body of the School is the not-for-profit corporation Board of Directors. There were 785 students enrolled for the 2020/2021 school year.

## **Note 2 - Summary of Significant Accounting Policies**

**Reporting entity:** The School operates under a charter granted by the sponsoring school board, the School Board of Palm Beach County. The current charter is effective until June 30, 2032 and may be renewed in minimum terms of five years by mutual written agreement between the School and the School Board. 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 basic financial statements to be misleading or incomplete.

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

**Basis of presentation:** Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide - Not-for-Profit Organizations and provisions of Section 228.056, Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

**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 and business-type 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 and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

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

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

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

Additionally, the School reports separately the following nonmajor fund type:

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

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**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 reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and 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 ninety days of the end of the current period. 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 capital leases are reported as other financing sources.

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

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Cash and cash equivalents:** The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents. The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk (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.

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

**Capital assets:** Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with a cost of \$ 750 and useful life of over one year. Donated property and equipment assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related fixed assets. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Buildings and improvements	30-40 years
Furniture, fixtures and equipment	5-20 years
Vehicles	5 years

**Deferred outflows/inflows of resources:** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School has deferred outflows relating to the net pension liability that qualify for reporting in this category (Note 9).

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School has deferred inflows relating to the net pension liability that qualify for reporting in this category (Note 9). In addition the government funds report unavailable revenues that are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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

- Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of 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 (deficit) - indicates that portion of net position that will need to be funded by future operations.

**Fund balance:** The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

- Nonspendable - this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted - this classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.
- Committed - this classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.

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

- Assigned - this classification includes amounts that the Board of Directors intends to use for a specific purpose, but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.
- Unassigned - this classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet on page 10.

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

**Budget:** An operating budget is adopted and maintained by the governing board for the School 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 financial statements.

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

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

**Date of management review:** Subsequent events were evaluated by management through September 30, 2021, which is the date the financial statements were available to be issued.

**Note 3 - Cash and Cash Equivalents**

At June 30, 2021, the carrying amount of the deposits and cash on hand totaled \$ 635,799 with bank balances of \$ 668,788.

State statutes require that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as "qualified public depositories" as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the treasurer is defined by the statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise.

**G-Star School of the Arts, Inc.**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

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**Note 4 - Capital Assets**

Capital asset balances and activity for the year ended June 30, 2021 are as follows:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2021</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>1,456,929</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,456,929</u>
Total capital assets, not being depreciated	<u>1,456,929</u>	<u>-</u>	<u>-</u>	<u>1,456,929</u>
Capital assets being depreciated:				
Buildings and improvements	6,791,392	23,356	-	6,814,748
Furniture, fixtures and equipment	<u>815,427</u>	<u>163,969</u>	<u>-</u>	<u>979,396</u>
Total capital assets being depreciated	<u>7,606,819</u>	<u>187,325</u>	<u>-</u>	<u>7,794,144</u>
Less accumulated depreciation for:				
Buildings and improvements	2,990,088	255,286	-	3,245,374
Furniture, fixtures and equipment	<u>707,683</u>	<u>54,475</u>	<u>-</u>	<u>762,158</u>
Total accumulated depreciation	<u>3,697,771</u>	<u>309,761</u>	<u>-</u>	<u>4,007,532</u>
Total capital assets being depreciated, net	<u>3,909,048</u>	<u>(122,436)</u>	<u>-</u>	<u>3,786,612</u>
Governmental activities capital assets, net	\$ <u><u>5,365,977</u></u>	\$ <u><u>(122,436)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>5,243,541</u></u>

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$ 54,475
Operation of plant	<u>255,286</u>
	<u>\$ 309,761</u>

**Note 5 - Bonds Payable**

Previously, Palm Beach County issued \$ 6,315,000 in Tax Exempt Industrial Revenue Bonds, Series 2017A pursuant to an Indenture of Trust between the County and the School to make a loan to the School to refinance the School's obligations for a promissory note, refund the Bond Series 2005A and finance the acquisition of information technology equipment. The School pays interest at a variable rate with monthly principal and interest payments through maturity date of November 2042. The Bond is secured by a mortgage on the School's property and buildings.

**Note 5 - Bonds Payable (continued)**

Using the interest rate of 3.359% currently in place, the School's annual debt service requirements to maturity for the Series 2017A Bond are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 189,232	\$ 196,826	\$ 386,058
2023	195,840	190,260	386,100
2024	202,168	183,972	386,140
2025	209,737	176,451	386,188
2026	217,060	169,174	386,234
2027-2031	1,203,951	718,017	1,921,968
2032-2036	1,429,217	500,605	1,929,822
2037-2041	1,697,287	239,060	1,936,347
2042-2043	536,343	13,522	549,865
	<u>\$ 5,880,835</u>	<u>\$ 2,387,887</u>	<u>\$ 8,268,722</u>

In conjunction with the Series 2017A bond payable above, the School entered into an interest rate swap agreement (the "Swap") with CenterState Bank that expires in October 2027. The Swap effectively converts the variable interest rate of the bond to a fixed rate. The fixed rate being paid to the bank is 3.359%, while the payment received from the bank is based on 63% of the one-month LIBOR rate plus 1.6705% (1.7335% at June 30, 2021).

The fair value benefit (obligation) of the Swap is based on a quote obtained from CenterState Bank, which was quoted at \$ (351,427) as of June 30, 2021, and is included as a noncurrent asset in the statement of net position. This value would have been realized (incurred) had the School elected to close this transaction at June 30, 2021. However, it is management's intention to carry this transaction through maturity. Interest expense in connection with the Series 2017A Bond and interest rate swap agreement amounted to \$ 206,331 for the year ended June 30, 2021.

In connection with the Series 2017A Bond, payable, the School's agreement contains a number of restrictive covenants. Among other provisions, the agreement requires a minimum debt service coverage ratio of 1.15. At June 30, 2021, the School was in compliance with the minimum debt service coverage.

**Note 6 - Capital Lease**

During the year, the School entered into a capital lease arrangement for computer equipment. The lease requires monthly payments of \$ 1,348 through August 2025. As of June 30, 2021, the net book value of the computer equipment is approximately \$ 53,400. Amortization of the computer equipment is included with depreciation expenses.

Future minimum payments at June 30, 2021 are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 12,610	\$ 3,567	\$ 16,177
2023	13,487	2,690	16,177
2024	14,420	1,757	16,177
2025	15,427	750	16,177
2026	2,654	23	2,677
	<u>\$ 58,598</u>	<u>\$ 8,787</u>	<u>\$ 67,385</u>

**Note 7 – Note Payable – Paycheck Protection Program**

In March 2021, the Schools executed a promissory note for \$ 709,778 under the Paycheck Protection Program (“PPP”) authorized by the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The loan bears interest rate at 1.00% per annum. Under the PPP, loan funds are eligible for forgiveness to the extent that they are used to cover certain payroll, rent and utility costs and if the School maintains certain employment levels during a specified period of time. If the Small Business Administration (“SBA”) confirms full forgiveness of the unpaid balance of the note, the School’s obligation under this arrangement will be deemed fully satisfied. The School remains obligated to repay to the lender any amount not forgiven, which will mature on the 2<sup>nd</sup> anniversary of the note. Principal and interest payments are deferred until the lender receives a forgiveness determination from SBA. If the School does not apply for forgiveness within 10 months after the last day of their covered period, as applicable, it would be required to make payments on the PPP loan beginning 10 months after the last day of such covered period. At such time, the bank will establish the amount of monthly payments due (principal and interest) based on the remaining time up until its maturity. As of June 30, 2021, the outstanding principal amount of the note payable was \$ 709,778.

**Note 8 - Long-Term Liabilities**

Changes in the School’s long-term liabilities for the fiscal year ended June 30, 2021, are as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Amount Due Within One Year
Series 2017 Industrial Revenue Bonds Note payable	\$ 6,063,683	\$ -	\$ 182,847	\$ 5,880,836	\$ 189,232
Capital lease, equipment Note payable - Paycheck Protection Program	63,709	-	63,709	-	-
	-	68,494	9,896	58,598	12,610
	-	709,778	-	709,778	-
Net pension liability	3,175,210	-	77,543	3,097,667	-
	<u>\$ 9,302,602</u>	<u>\$ 778,272</u>	<u>\$ 333,995</u>	<u>\$ 9,746,879</u>	<u>\$ 201,842</u>

**Note 9 - Employee Benefit Plans**

**General Information about the Florida Retirement System (FRS)**

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan Chapter 112, Florida Statutes, established the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

#### Note 9 - Employee Benefit Plans (continued)

Essentially all regular employees of the School are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

#### FRS Pension Plan

*Plan Description.* The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership applicable to the School are as follows:

- *Regular Class* - Members of the FRS who do not qualify for membership in the other classes.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

*Benefits Provided.* Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.



**Note 9 - Employee Benefit Plans (continued)**

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a promotion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2020-21 fiscal year were as follows:

<u>Class</u>	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular employees	3.00	10.00

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the School reported a liability of \$ 2,009,685 for its proportionate share of the net pension liability. The net pension liability was measured as of June 20, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The School's proportionate share of the net pension liability was based on the School's 2019-2020 fiscal year contributions relative to the total 2019-2020 fiscal year contributions of all participating members. At June 30, 2020, the School's proportionate share was .004636864 percent, which was a decrease of .0010353 percent from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the School recognized pension expense of \$ 348,472. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 76,915	\$ -
Change of assumptions	363,817	-
Net difference between projected and actual earnings on FRS Plan investments	119,659	-
Changes in proportion and differences between School FRS contributions and proportionate share of contributions	24,048	319,135
School FRS contributions subsequent to the measurement date	<u>48,458</u>	<u>-</u>
Total	\$ <u><u>632,897</u></u>	\$ <u><u>319,135</u></u>

**Note 9 - Employee Benefit Plans (continued)**

The deferred outflows of resources related to employer contributions paid subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2022	\$ 43,587
2023	119,633
2024	96,992
2025	31,355
2026	(26,263)
Thereafter	-

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation
Actuarial cost method	Individual entry age
Mortality rates	PUB2010 base table projected generationally with Scale MP-2018

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018. The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.2%	2.2%	1.2%
Fixed income	19.0%	3.0%	2.9%	3.5%
Global equity	54.2%	8.0%	6.7%	17.1%
Real estate (property)	10.3%	6.4%	5.8%	11.7%
Private equity	11.1%	10.8%	8.1%	25.7%
Strategic investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100.0%</u>			
Assumed inflation - mean			2.4%	1.7%

Note: (1) As outlined in the Plan's investment policy.

**Note 9 - Employee Benefit Plans (continued)**

Discount Rate. The discount rate used to measure the total pension liability was 6.80 percent. The Plan 's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2020 valuation was updated from 6.90 percent to 6.80 percent.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 6.80 percent, as well as what the School 's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.8 percent) or 1 percentage point higher (7.8 percent) than the current rate:

	<u>1% Decrease (5.80%)</u>	<u>Current Discount Rate (6.80%)</u>	<u>1% Increase (7.80%)</u>
School's proportionate share of the net pension liability	\$ 3,209,130	\$ 2,009,685	\$ 1,007,904

**HIS Pension Plan**

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363 , Florida Statutes , and may be amended by the Florida Legislature at any time . The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$ 5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$ 30 and a maximum HIS payment of \$ 150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2021, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The School contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

Pension Liabilities Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the School reported a net pension liability of \$ 1,087,982 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. At June 30, 2020, the School's proportionate share was .008910698 percent, which was a decrease of .002008922 percent from its proportionate share measured as of June 30, 2019.

**Note 9 - Employee Benefit Plans (continued)**

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

*Discount Rate.* The discount rate used to measure the total pension liability was 3.50 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate. The single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

*Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 2.21 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
School's proportionate share of the net pension liability	\$ 1,257,658	\$ 1,087,982	\$ 949,102

For the fiscal year ended June 30, 2021, the School recognized pension expense of \$ 35,832. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 44,505	\$ 839
Change of assumptions	116,989	63,262
Net difference between projected and actual earnings on HIS Plan investments	869	-
Changes in proportion and differences between School HIS contributions and proportionate share of contributions	2,662	263,999
School HIS contributions subsequent to the measurement date	<u>12,408</u>	<u>-</u>
Total	\$ <u><u>177,433</u></u>	\$ <u><u>328,100</u></u>

**Note 9 - Employee Benefit Plans (continued)**

The deferred outflows of resources resulting from School contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Fiscal Year Ending June 30,	
2022	\$ (30,183)
2023	(25,639)
2024	(37,812)
2025	(28,321)
2026	(19,319)
Thereafter	(21,801)

*Actuarial Assumptions.* The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.21 percent
Actuarial cost method	Individual entry age
Mortality rates	Generational PUB-2010 with Projection Scale MP-2018

**Aggregate amounts for both defined benefit plans:**

	FRS Pension Plan	FRS HIS Plan	Total
Net pension liability	\$ 2,009,685	\$ 1,087,982	\$ 3,097,667
Deferred outflows of resources	\$ 632,897	\$ 177,433	\$ 810,330
Deferred inflows of resources	\$ 319,135	\$ 328,100	\$ 647,235
Pension expense	\$ 348,472	\$ 35,832	\$ 384,304

**FRS - Defined Contribution Pension Plans**

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan) . The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

**Note 9 - Employee Benefit Plans (continued)**

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. School employees already participating in the State School System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class, as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2020-21 fiscal year were as follows :

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular employees	6.30

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2020, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the School. After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The School's Investment Plan pension expense totaled \$ 134,698 for the fiscal year ended June 30, 2021.

**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 district. The School's CSCO award totaled \$ 408,434 for the 2020/2021 school year and has been recognized as revenue in the accompanying basic financial statements. If the CSCO funds are used to acquire tangible property assets, the School Board has a reversionary interest in those assets. In the event of non-renewal, 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 operation of plant expenses.

**Note 11 - Risk Management**

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

**Note 12 - Commitments**

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2021 may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Management agreement:** The School has a formal agreement with Charter Schools USA at G-Star LLC (“CSUSA”) to manage, staff, and operate the School. CSUSA is entitled to retain as cost reimbursements and management fees (the “fee”) for its services, 15% of revenues, which shall be set forth within the approved annual budget or a lesser percentage if agreed to by CSUSA. The term of the agreement coincides with the charter and can be extended if the charter is extended. For the year ended June 30, 2021, CSUSA did not receive a fee.

The basic financial statements reflect a due from CSUSA which totaled \$ 155,934 at June 30, 2021.

**Note 13 - Prior Period Adjustments**

GASB No. 84, *Fiduciary Activities*, effective for fiscal year ended June 30, 2021, deals with financial reporting of Fiduciary Activities and no longer permits the use of Agency Funds, which requires a change to the way the School reports its Internal Accounts. Internal Account activity will now be reported in the Club and Activities Fund. This treatment requires the restatement of the net position and fund balances as of June 30, 2020. The restatements are as follows:

Fund balances, June 30, 2020	\$	79,205
Inclusion of Agency Fund cash		63,843
Inclusion of due to General Fund		<u>(56,256)</u>
Restated fund balances, June 30, 2020	\$	<u>86,792</u>
Net position, June 30, 2020	\$	(3,928,848)
Exclusion of due from Agency Fund		(56,256)
Inclusion of Agency Fund cash		<u>63,843</u>
Restated net position, June 30, 2020	\$	<u><u>(3,921,261)</u></u>

**Note 14 - Risks and Uncertainties**

The coronavirus (COVID-19) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the *World Health Organization* designated the coronavirus outbreak as a pandemic. Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event may have on the School's financial position and operations. The full impact of COVID-19 is unknown at this time and cannot be reasonably estimated as these events are still developing.



# REQUIRED SUPPLEMENTARY INFORMATION

**G-Star School of the Arts, Inc.  
Schedule of Proportionate Share of Net Pension Liability  
Florida Retirement System Pension Plan  
Last 10 Fiscal Years \*  
(Unaudited)**

	2021	2020	2019	2018	2017	2016	2015
School's Proportion of the net pension liability	0.004636864%	0.005672164%	0.006213128%	0.006060720%	0.005895338%	0.006661181%	0.006870718%
School's Proportionate share of the net pension liability	\$ 2,009,685	\$ 1,953,414	\$ 1,871,426	\$ 1,792,720	\$ 1,488,577	\$ 860,381	\$ 419,215
School's covered payroll	\$ 1,589,985	\$ 2,027,066	\$ 2,096,421	\$ 1,964,016	\$ 1,971,886	\$ 1,993,683	\$ 2,065,856
School's proportionate share of the net pension liability as a percentage of its covered payroll	126.40%	96.37%	89.27%	91.28%	75.49%	43.16%	20.29%
Plan fiduciary net position as a percentage of total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

\* This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

**G-Star School of the Arts, Inc.  
Schedule of Contributions  
Florida Retirement System Pension Plan  
Last 10 Fiscal Years \*  
(Unaudited)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 138,594	\$ 108,280	\$ 133,875	\$ 131,818	\$ 116,037	\$ 108,864	\$ 111,651
Contributions in relation to the contractually required contribution	<u>(138,594)</u>	<u>(108,280)</u>	<u>(133,875)</u>	<u>(131,818)</u>	<u>(116,037)</u>	<u>(108,864)</u>	<u>(111,651)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered payroll	\$ 1,661,783	\$ 1,589,985	\$ 2,027,066	\$ 2,096,421	\$ 1,964,016	\$ 1,971,886	\$ 1,993,683
Contributions as a percentage of covered payroll	8.34%	6.81%	6.60%	6.29%	5.91%	5.52%	5.60%

\* This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

**G-Star School of the Arts, Inc.  
Schedule of Proportionate Share of Net Pension Liability  
Health Insurance Subsidy Program  
Last 10 Fiscal Years \*  
(Unaudited)**

	2021	2020	2019	2018	2017	2016	2015
School's Proportion of the net pension liability	0.008910698%	0.010919620%	0.011336526%	0.011672505%	0.011888417%	0.011827624%	0.013074334%
School's proportionate share of the net pension liability	\$ 1,087,982	\$ 1,221,796	\$ 1,199,871	\$ 1,248,078	\$ 1,385,546	\$ 1,206,232	\$ 1,222,482
School's covered payroll	\$ 3,094,777	\$ 3,652,014	\$ 3,702,735	\$ 3,722,046	\$ 3,670,069	\$ 3,588,385	\$ 3,883,681
School's proportionate share of the net pension liability as a percentage of its covered payroll	35.16%	33.46%	32.40%	33.53%	37.75%	33.61%	31.48%
Plan fiduciary net position as a percentage of total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

\* This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

**G-Star School of the Arts, Inc.  
Schedule of Contributions  
Health Insurance Subsidy Program  
Last 10 Fiscal Years \*  
(Unaudited)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 54,396	\$ 51,373	\$ 60,623	\$ 61,465	\$ 61,786	\$ 60,923	59,567
Contributions in relation to the contractually required contribution	<u>(54,396)</u>	<u>(51,373)</u>	<u>(60,623)</u>	<u>(61,465)</u>	<u>(61,786)</u>	<u>(60,923)</u>	<u>(59,567)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered payroll	\$ 3,276,888	\$ 3,094,777	\$ 3,652,014	\$ 3,702,735	\$ 3,722,044	\$ 3,670,069	\$ 3,588,385
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%

\* This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

# OTHER INDEPENDENT AUDITOR'S REPORTS

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

To the Board of Directors  
G-Star School of the Arts, Inc.  
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, business-type activities, each major fund, and the aggregate remaining fund information of G-Star School of the Arts, Inc. (the "School") as of and for the year ended June 30, 2021, 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, 2021.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 30, 2021



## INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors  
G-Star School of the Arts, Inc.  
Palm Springs, Florida

### Report on the Financial Statements

We have audited the financial statements of G-Star School of the Arts, Inc. (the "School") as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 30, 2021.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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, 2021, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations 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 are G-Star School of the Arts, Inc. and 503396.

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### **Financial Condition and Management**

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did 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 maintains 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).

### **Additional Matters**

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

### **Purpose of this Letter**

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 30, 2021