

Palm Beach Preparatory Charter Academy

Basic Financial Statements
and Additional Information
For the Year Ended June 30, 2021



Palm Beach Preparatory Charter Academy

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Palm Beach Preparatory Charter Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Palm Beach Preparatory Charter Academy (the "School"), a division of NorthStar Academies, Inc., as of and for the year ended June 30, 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 and each major fund of the School, as of June 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and change in financial position of only that portion of the governmental activities and each major fund of NorthStar Academies, Inc. that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of NorthStar Academies, Inc. as of June 30, 2021 and the changes in its financial position or budgetary comparisons, where applicable, for the year ended June 30, 2021 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and budgetary comparisons for the General Fund and Special Revenue Fund on pages 21 and 22, respectively, 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 28, 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 the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 28, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS



Our discussion and analysis of Palm Beach Preparatory Charter Academy' (the "School") financial performance provides an overview of the School's financial activities for the years ended June 30, 2021 and 2020. Please read it in conjunction with the School's financial statements, which immediately follow this discussion.

Financial Highlights

The following are the highlights of financial activity for the year ended June 30, 2021:

- The School's total assets exceeded its liabilities at June 30, 2021 by \$ 2,006,323 (net position).
- The School's total revenues were \$ 3,388,033, \$ 3,039,483 from FTE revenues, \$ 342,897 from operating grants and contributions and \$ 5,653 from miscellaneous revenues. The School's expenses for the year were \$ 2,936,696. Net position for the year increased by \$ 451,337.

Overview of the Financial Statements

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

Government-wide financial statements:

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

- The statement of net position presents information on all the School's assets and liabilities, 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.

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

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund financial statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School only has one category of 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 financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year. Such information may be useful in evaluating the School's near-term financing requirements.

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

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

A budgetary comparison statement has been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budgets.

The governmental fund financial statements can be found on pages 9 through 12 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 13 through 20 of this report.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's General Fund and Special Revenue Fund adopted budgets to actual results. Required supplementary information can be found on pages 21 and 22 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position.

**Palm Beach Preparatory Charter Academy
Management's Discussion and Analysis
June 30, 2021**

The following table reflects the condensed government-wide statements of net position as of June 30, 2021 and 2020:

Palm Beach Preparatory Charter Academy Statements of Net Position		
	2021	2020
Current Assets	\$ 2,218,734	\$ 1,955,273
Noncurrent Assets	112,381	151,153
Total assets	2,331,115	2,106,426
Current Liabilities	324,792	373,917
Noncurrent Liabilities	-	177,523
Total liabilities	324,792	551,440
Net Position:		
Net investment in capital assets	104,327	143,099
Unrestricted	1,901,996	1,411,887
Total net position	\$ 2,006,323	\$ 1,554,986

A portion of the School's net position reflect its investment in capital assets, less any related outstanding debt used to acquire those assets. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt (if any), it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Resources that are subject to external restrictions on how they may be used are classified as restricted assets. As of June 30, 2021 and 2020, the School had no restricted assets.

As reflected below, the net position is showing an increase of \$ 451,337 for the year ended June 30, 2021 and an increase of \$ 207,139 for the year ended June 30, 2020 as summarized in the following table:

Palm Beach Preparatory Charter Academy Statements of Changes in Net Position		
	2021	2020
Revenues:		
General revenues	\$ 3,045,136	\$ 2,996,689
Program revenues	342,897	265,185
Total revenues	3,388,033	3,261,874
Expenses:		
Instruction	742,690	944,738
Instructional support services	1,565,409	1,496,124
Operation of non-instructional services	628,597	613,873
Total expenses	2,936,696	3,054,735
Change in net position	\$ 451,337	\$ 207,139

Financial Analysis of the School's Funds

As noted earlier, the School uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance, if any, may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

General Fund Budgetary Highlights

The 2020-2021 budget was amended at the end of the fiscal year to agree with the actual results of operations.

Capital Assets and Debt Administration

Capital assets: The School's investment in capital assets at June 30, 2021 amounted to \$ 104,327 net of accumulated depreciation, compared to \$ 143,099 at June 30, 2020. This investment in capital assets is composed of furniture and equipment and leasehold improvements. A more detailed analysis is provided in Note 6 to the financial statements.

Long-term debt: At June 30, 2021 and 2020, the School had outstanding debt of \$ 177,523. A more detailed analysis is provided in Note 7 to the financial statements.

Economic Factors for 2021-2022

Total funding for capital outlay is expected to increase slightly in the next year, in addition to increases in regular FFEP revenues. Given the student count remains consistent, the overall effect will be a small increase in revenues.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Palm Beach Preparatory Charter Academy
Statement of Net Position
June 30, 2021

Current Assets:

Cash	\$ 1,556,921
Due from government agencies	48,426
Due from related party	2,810
Due from management company	607,212
Prepays	<u>3,365</u>
Total current assets	<u>2,218,734</u>

Noncurrent Assets:

Capital assets, net of accumulated depreciation	104,327
Deposits and other assets	<u>8,054</u>
Total noncurrent assets	<u>112,381</u>
Total assets	<u>2,331,115</u>

Current Liabilities:

Accounts payable	86,584
Accrued liabilities	60,685
Note payable - due in less than one year	<u>177,523</u>
Total current liabilities	<u>324,792</u>
Total liabilities	<u>324,792</u>

Net Position:

Net investment in capital assets	104,327
Unrestricted	<u>1,901,996</u>
Total net position	<u>\$ 2,006,323</u>

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

**Palm Beach Preparatory Charter Academy
Statement of Activities
For the Year Ended June 30, 2021**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities Net Revenues (Expenses) and Change in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Functions/Programs:					
Governmental activities:					
Regular instruction	\$ 742,690	\$ -	\$ 112,049	\$ -	\$ (630,641)
Administrative services	245,936	-	-	-	(245,936)
Instructional support services	288,790	-	-	-	(288,790)
Plant operations and maintenance	1,030,683	-	33,500	197,348	(799,835)
Student transportation	-	-	-	-	-
Operation of non- instructional services:					
Fiscal services	<u>628,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(628,597)</u>
Total governmental activities	<u>\$ 2,936,696</u>	<u>\$ -</u>	<u>\$ 145,549</u>	<u>\$ 197,348</u>	<u>(2,593,799)</u>
General revenues:					
FTE nonspecific revenues					3,039,483
Miscellaneous revenues					<u>5,653</u>
Total general revenues					<u>3,045,136</u>
Change in net position					451,337
Net position, July 1, 2020					<u>1,554,986</u>
Net position, June 30, 2021					<u>\$ 2,006,323</u>

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

Palm Beach Preparatory Charter Academy
Balance Sheet - Governmental Funds
June 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets:				
Cash	\$ 1,556,921	\$ -	\$ -	\$ 1,556,921
Due from government agencies	-	35,598	12,828	48,426
Due from related party	2,810	-	-	2,810
Due from other funds	48,426	-	-	48,426
Due from management company	607,212	-	-	607,212
Prepays	3,365	-	-	3,365
Deposits and other assets	<u>8,054</u>	<u>-</u>	<u>-</u>	<u>8,054</u>
Total assets	<u>\$ 2,226,788</u>	<u>\$ 35,598</u>	<u>\$ 12,828</u>	<u>\$ 2,275,214</u>
Liabilities:				
Accounts payable	\$ 86,584	\$ -	\$ -	\$ 86,584
Accrued liabilities	60,685	-	-	60,685
Due to other funds	<u>-</u>	<u>35,598</u>	<u>12,828</u>	<u>48,426</u>
Total liabilities	<u>147,269</u>	<u>35,598</u>	<u>12,828</u>	<u>195,695</u>
Fund Balances:				
Nonspendable for prepaids, deposits and other assets	3,365	-	-	8,054
Unassigned	<u>2,076,154</u>	<u>-</u>	<u>-</u>	<u>2,071,465</u>
Total fund balances	<u>2,079,519</u>	<u>-</u>	<u>-</u>	<u>2,079,519</u>
Total liabilities and fund balances	<u>\$ 2,226,788</u>	<u>\$ 35,598</u>	<u>\$ 12,828</u>	<u>\$ 2,275,214</u>

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

**Palm Beach Preparatory Charter Academy
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position
 June 30, 2021**

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

Governmental fund balances: \$ 2,079,519

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

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

Cost of capital assets	\$	1,126,698	
Accumulated depreciation		<u>(1,022,371)</u>	104,327

Long-term liabilities are not due and payable in the
 current period and therefore are not reported in the
 governmental funds.

Note payable			<u>(177,523)</u>
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Net Position of Governmental Activities			\$ <u>2,006,323</u>
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The accompanying notes to basic financial statements are an integral part of these statements.

**Palm Beach Preparatory Charter Academy
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues:				
State sources	\$ 3,059,193	\$ -	\$ 197,348	\$ 3,256,541
Federal sources	-	125,839	-	125,839
Local sources	5,653	-	-	5,653
	<u>3,064,846</u>	<u>125,839</u>	<u>197,348</u>	<u>3,388,033</u>
Expenditures:				
Current:				
Instruction	650,351	92,339	-	742,690
Instructional support services	257,083	-	-	257,083
Student transportation services	-	-	-	-
Fiscal services	628,597	-	-	628,597
Plant operations and maintenance	790,520	33,500	197,348	1,021,368
Administrative services	245,936	-	-	245,936
Capital outlay:				
Equipment and improvements	2,250	-	-	2,250
	<u>2,574,737</u>	<u>125,839</u>	<u>197,348</u>	<u>2,897,924</u>
Net change in fund balances	490,109	-	-	490,109
Fund Balances, July 1, 2020	<u>1,589,410</u>	<u>-</u>	<u>-</u>	<u>1,589,410</u>
Fund Balances, June 30, 2021	<u><u>\$ 2,079,519</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,079,519</u></u>

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

**Palm Beach Preparatory Charter Academy
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2021**

Net Change in Fund Balances - Governmental Funds \$ 490,109

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

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

Expenditures for capital assets	\$ 2,250	
Provision for depreciation	<u>(41,022)</u>	<u>(38,772)</u>

Change in Net Position on the Statement of Activities \$ 451,337

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

Note 1 - Organization and Operations

Palm Beach Preparatory Charter Academy (the "School"), is a division of NorthStar Academies, Inc. (the "Entity"). The School commenced operations in July 2011 and offers classes for high school students in Palm Beach County, Florida. An average of approximately 306 students were enrolled in classes for the school year ended in June 2021. The enrollment decreased from the 2020 enrollment of 417 students; however due a hold harmless set forth by the Florida Department of Education, the School was able to be funded using 2020 enrollment numbers, which increased overall funding.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of NorthStar Academies, Inc. as of June 30, 2021, and the changes in its financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring school district, the School Board of Palm Beach County, Florida (the "School Board"). The charter was effective until June 30, 2021. Due to the pandemic (Note 12), the charter was extended through June 30, 2022. The School expects to apply for the renewal of the charter in the 2021-2022 school year. 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.

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

Basis of presentation: Based on the guidance presented in the American Institute of Certified Public Accountants Audit and Accounting Guide – Not-for-Profit Organizations and provisions of Section 228.056(9), 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. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

The School reports the following major governmental funds:

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

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 any borrowings used for the acquisition, construction or improvement of those assets (if any).
- Restricted net position - 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 - indicates that portion of net position that will need to be funded by future operations.

Fund balance: The School has implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance classifications to report on the nature and extent to which the school is bound to have constraints on the specific purposes for which amounts in those funds can be spent.

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – consists of amounts that are not in spendable form and of net position that are legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

Note 2 - Summary of Significant Accounting Policies (continued)

- Committed fund balance – consists of amounts that can be used for specific purposes pursuant to constraints imposed by the government itself, using its highest level of decision making authority.
- Assigned fund balance – consists of amounts that are constrained by the government's intended use of resources but are neither restricted or committed.
- Unassigned – consists of net resources in excess of what can be properly classified in one of the above categories.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the School considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the School's governing body or its delegated official or body has provided otherwise in its commitment or assignment actions. The details of the fund balances are included in the Balance Sheet – Governmental Funds on page 9.

Measurement focus and basis of accounting: The basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statement uses the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both 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 be used to pay liabilities of the current period. For this purpose, the current period is defined as sixty days.

Cash and cash equivalents: The School maintains its cash accounts with two financial institutions. The School's accounts at these institutions, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

Furniture and equipment	3-5 years
Leasehold improvements	5 years

Compensated absences: The School's policy allows employees to carry over unused vacation time during the year. Unused sick leave benefits are not paid upon separation from service. No liability for compensated absences was recorded for the year ending June 30, 2021.

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

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net 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 does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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 does not have any items that qualify for reporting in this category.

Revenue recognition: Student funding is provided by the State of Florida through the District. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements and is net of a 5% administration fee, for the first 250 students, retained by the District. 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.

Grant and contract revenue: Grant and contract revenue is recognized when the allowable costs, as defined by the individual grant or contract, are incurred.

Use of estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Date of management review: Subsequent events were evaluated by management through September 28, 2021, which is the date the financial statements were available for issuance.

Note 3 - Cash and Cash Equivalents

At June 30, 2021, the carrying amount of the deposits and cash on hand totaled \$ 1,556,921, with a bank balance of \$ 1,592,096.

Note 3 - Cash and Cash Equivalents (continued)

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

Note 4 - Budgets

The School formally adopted budgets for the General, Special Revenue and Capital Projects Fund by function for the year ended June 30, 2021. The budgets have been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the budgeted amounts for the General Fund and Special Revenue Fund are presented as required supplementary information.

Note 5 - Due from Government Agencies

Due from government agencies at June 30, 2021 consists of amounts due from the District for capital outlay, and from the Department of Education for Elementary and Secondary Emergency Assistance Grants (ESSER) and Title 1 funds.

Note 6 - Capital Assets

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

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2021</u>
Capital assets, depreciable:				
Furniture and equipment	\$ 830,073	\$ 2,250	\$ -	\$ 832,323
Leasehold improvements	<u>294,375</u>	<u>-</u>	<u>-</u>	<u>294,375</u>
Total capital assets, depreciable	<u>1,124,448</u>	<u>2,250</u>	<u>-</u>	<u>1,126,698</u>
Accumulated depreciation:				
Furniture and equipment	715,158	31,707	-	746,865
Leasehold improvements	<u>266,191</u>	<u>9,315</u>	<u>-</u>	<u>275,506</u>
Total accumulated depreciation	<u>981,349</u>	<u>41,022</u>	<u>-</u>	<u>1,022,371</u>
Net capital assets	<u>\$ 143,099</u>	<u>\$ (38,772)</u>	<u>\$ -</u>	<u>\$ 104,327</u>

Note 6 - Capital Assets (continued)

The provision for depreciation for the year ended June 30, 2021 amounted to \$ 41,022. The School allocated 77% of the depreciation to instructional support services and 23% to the operation of the facility.

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

Note 7 - Long-Term Liabilities

On April 21, 2020, the Entity, whom the School is a division, executed a promissory note for \$ 1,080,740 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 Foundation 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 Entity’s obligation under this arrangement will be deemed fully satisfied.

The Entity remains obligated to repay to the lender any amount not forgiven, which will mature on the 2nd anniversary of the note. Principal and interest payments are deferred until the lender receives a forgiveness determination from SBA. If the Entity 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. The proceeds of this loan were allocated to five Schools (the School, Chambers High School, C.G. Bethel High School, Andrews High School and Sunrise High School) that are within the Entity. The School was allocated \$ 177,523 of the \$ 1,080,740, which is the outstanding balance as of June 30, 2021. Subsequent to year end, the Entity applied for forgiveness and is expected to be recognized as revenue in the June 30, 2022 financial statements.

The following table summarizes the debt activity for the year ended June 30, 2021:

	Balance at July 1, 2020	Additions	Retirements	Balance at June 30, 2021	Due Within One Year
PPP Loan	\$ <u>177,523</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>177,523</u>	\$ <u>177,523</u>

Note 8 - Contingencies and Commitments

Grant agreements: The School received financial assistance from Federal and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. In accordance with Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Florida Single Audit Act, the School is not required to conduct “single audits” since the required threshold for federal awards and both state financial assistance is currently \$ 750,000 and the School did not exceed either threshold.

Note 8 - Contingencies and Commitments (continued)

Lease commitment: The School entered into an operating lease with School Property Development, LLC, for the rental of its facility with monthly payments of approximately \$ 31,100 through June 30, 2026. The lease contains no renewal options. Total expense in connection with the facility lease amounted to \$ 373,400 for the year ended June 30, 2021.

Future lease payments are approximately as follows:

Year Ending June 30,		
2022	\$	373,400
2023	\$	373,400
2024	\$	373,400
2025	\$	373,400
2026	\$	373,400
Thereafter	\$	-

Management Agreement: The School operates under a management agreement with EdisonLearning, Inc. (“Edison”), which is a third-party education service provider. The contract provided for assisting the School in the performance of various administrative, operating, and financial duties and providing operating equipment. The management agreement’s term was for five academic school years beginning with the 2011-2012 school year and was renewed through the 2025-2026 school year to be concurrent with the Charter with the School Board of Palm Beach County, Florida. The agreement provided for an additional five- year term or such periods that are consistent with the Charter contract term. In exchange for the aforementioned services, the Board of Directors of the School agreed on a fee annually contained in their budget. For the year ended June 30, 2021, management fee expense totaled approximately \$ 536,300. At June 30, 2021, the School had an amount due from Edison amounting to \$ 607,212, which represents advanced monies for School expenses.

Post-retirement benefits: The School offers the opportunity to participate in its defined contribution 401(k) plan to eligible employees. The School did not make a contribution to the plan for the year ended June 30, 2021.

Note 9 - Related Party Transactions

The School is related to Chambers High School, as they are governed under the same Board of Directors and both divisions of the Entity. The School has an amount of \$ 11,788 that is due to Chambers, for shared expenses, which is included in accounts payable in the accompanying financial statements.

In addition, at June 30, 2021, the Entity has a balance owed to the School amounting to \$ 2,810, which represents expenses paid by the School on behalf of the Entity.

Note 10 - Income Taxes

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

Note 11 - Risk Financing

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

Note 12 - Risks and Uncertainties

In March 2020, the *World Health Organization* declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, the local and global financial markets are experiencing significant declines and creating economic uncertainties. At this time, it is unknown precisely how this negative outlook will impact the School's financial statements in the future. No adjustments have been made to the accompanying financial statements as a result of the current events.

REQUIRED SUPPLEMENTARY INFORMATION



**Palm Beach Preparatory Charter Academy
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State sources	\$ 3,094,174	\$ 3,059,193	\$ 3,059,193	\$ -
Local sources	<u>-</u>	<u>5,653</u>	<u>5,653</u>	<u>-</u>
Total revenues	<u>3,094,174</u>	<u>3,064,846</u>	<u>3,064,846</u>	<u>-</u>
Expenditures:				
Current:				
Instruction	1,066,543	650,351	650,351	-
Instructional services	356,053	257,083	257,083	-
Student transportation services	42,420	-	-	-
Fiscal services	624,954	628,597	628,597	-
Plant operations and maintenance	655,982	790,520	790,520	-
Administrative services	231,018	245,936	245,936	-
Capital outlay:				
Equipment and improvements	<u>63,462</u>	<u>2,250</u>	<u>2,250</u>	<u>-</u>
Total expenditures	<u>3,040,432</u>	<u>2,574,737</u>	<u>2,574,737</u>	<u>-</u>
Net change in fund balance	<u>\$ 53,742</u>	<u>\$ 490,109</u>	<u>\$ 490,109</u>	<u>\$ -</u>

**Palm Beach Preparatory Charter Academy
 Budgetary Comparison Schedule - Special Revenue Fund
 For the Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Title I	\$ -	\$ 80,380	\$ 80,380	\$ -
Emergency and Secondary Emergency Assistance Grants (ESSER)	-	33,500	33,500	-
IDEA grant income	-	11,959	11,959	-
	<u>-</u>	<u>125,839</u>	<u>125,839</u>	<u>-</u>
Total revenues	<u>-</u>	<u>125,839</u>	<u>125,839</u>	<u>-</u>
Expenditures:				
Regular instruction	-	92,339	92,339	-
Plant operations and maintenance	-	33,500	33,500	-
	<u>-</u>	<u>125,839</u>	<u>125,839</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>125,839</u>	<u>125,839</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER AUDITOR'S REPORTS

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

To the Board of Directors
Palm Beach Preparatory Charter Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Palm Beach Preparatory Charter Academy (the "School"), a division of NorthStar Academies, Inc., as of and for the year ended June 30, 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 28, 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 28, 2021

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Palm Beach Preparatory Charter Academy

Report on the Financial Statements

We have audited the financial statements of Palm Beach Preparatory Charter Academy (the "School"), a division of NorthStar Academies, Inc., as of and for the year ended June 30, 2021, and have issued our report thereon dated September 28, 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 Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 28, 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 recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of Education of the entity is Palm Beach Preparatory Charter Academy and 503971.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, requires 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 Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or 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 28, 2021