

G-Star School of the Arts, Inc.

Basic Financial Statements
For the Year Ended June 30, 2022



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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of G-Star School of the Arts, Inc. (the "School") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the School, as of June 30, 2022, and the respective changes in financial position and the respective budgetary comparisons 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

G-Star School of the Arts, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022 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
November 10, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS



G-Star School of the Arts, Inc.
Management's Discussion and Analysis
June 30, 2022

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, 2022 and 2021.

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, 2022, the School's governmental fund balances were \$ 45,015 as compared to \$ 576,077 as of June 30, 2021.
- As of June 30, 2022, the School's net position for business-type activities was \$ 136,490 as compared to \$ 131,089 as of June 30, 2021.
- As of June 30, 2022 the School had net position (deficit) for governmental activities of \$ (3,029,703) as compared to \$ (4,109,776) as of June 30, 2021.

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 9 and 10 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, Capital Project Fund and Club and Activities 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 11 through 16 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 17 through 19 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 20 through 36 of this report.

Government-Wide Financial Analysis

The School has been in operation for nineteen years; therefore, comparative government-wide data is presented. The School's net position (deficit) was \$ (2,893,213) at June 30, 2022. This amount represents net investment in capital assets (deficit) of \$ (168,836), unrestricted net position (deficit) of \$ (2,751,752) and restricted net position of \$ 27,375. The School's net position (deficit) was \$ (3,978,687) at June 30, 2021. This amount represented net investment in capital assets (deficit) of \$ (695,893), unrestricted net position (deficit) of \$ (3,319,781) and restricted net position of \$ 36,987.

G-Star School of the Arts, Inc.
Management's Discussion and Analysis
June 30, 2022

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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 428,243	\$ 949,083	\$ 198,555	\$ 123,711	\$ 626,798	\$ 1,072,794
Internal balances	62,065	(7,378)	(62,065)	7,378	-	-
Asset associated with interest rate swap	44,222	-	-	-	44,222	-
Capital assets	5,568,756	5,243,541	-	-	5,568,756	5,243,541
Total assets	6,103,286	6,185,246	136,490	131,089	6,239,776	6,316,335
Deferred outflows related to pensions	1,033,812	810,330	-	-	1,033,812	810,330
Obligation under interest rate swap	-	351,427	-	-	-	351,427
Other long-term liabilities outstanding	7,549,750	9,545,037	-	-	7,549,750	9,545,037
Current liabilities	663,367	561,653	-	-	663,367	561,653
Total liabilities	8,213,117	10,458,117	-	-	8,213,117	10,458,117
Deferred inflows related to pensions	1,953,684	647,235	-	-	1,953,684	647,235
Net position (deficit):						
Net investment in capital assets (deficit)	(168,836)	(695,893)	-	-	(168,836)	(695,893)
Restricted	27,375	36,987	-	-	27,375	36,987
Unrestricted	(2,888,242)	(3,450,870)	136,490	131,089	(2,751,752)	(3,319,781)
Total net position (deficit)	\$ (3,029,703)	\$ (4,109,776)	\$ 136,490	\$ 131,089	\$ (2,893,213)	\$ (3,978,687)

Governmental Activities - Current and other assets decreased mainly due to a decrease in the School's cash position, prepaids and deposit amounts. Capital assets, net of depreciation increased due to depreciation expense of \$ 415,699 offset by asset additions totaling \$ 740,914. Noncurrent liabilities decreased due to payment of the School's bonds payable.

Business-type Activities - Current and other assets increased mainly due to an increase in cash and cash equivalents.

G-Star School of the Arts, Inc.
Management's Discussion and Analysis
June 30, 2022

The results of this year's operations for the School as a whole are reported in the statement of activities on page 10. The table below provides a condensed presentation of the School's revenues and expenses for the year ended June 30, 2022 and 2021:

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 3,820	\$ 200	\$ 87,326	\$ 109,126	\$ 91,146	\$ 109,326
Operating grants and contributions	911,982	631,137	-	-	911,982	631,137
Capital grants and contributions	387,200	408,434	-	-	387,200	408,434
General revenues:						
State funds	6,078,903	5,580,829	-	-	6,078,903	5,580,829
Local and other	710,773	1,767	330	244	711,103	2,011
Total revenues	<u>8,092,678</u>	<u>6,622,367</u>	<u>87,656</u>	<u>109,370</u>	<u>8,180,334</u>	<u>6,731,737</u>
Expenses:						
Instructional services	3,713,574	3,801,471	-	-	3,713,574	3,801,471
System-wide support services	3,493,758	3,028,480	-	-	3,493,758	3,028,480
Interest and other charges	200,922	210,448	-	-	200,922	210,448
Motion picture productions	-	-	82,255	8,526	82,255	8,526
Total expenses	<u>7,408,254</u>	<u>7,040,399</u>	<u>82,255</u>	<u>8,526</u>	<u>7,490,509</u>	<u>7,048,925</u>
Transfers in (out)	-	-	-	-	-	-
Change in net position prior to change in fair value of interest rate swap	<u>684,424</u>	<u>(418,032)</u>	<u>5,401</u>	<u>100,844</u>	<u>689,825</u>	<u>(317,188)</u>
Change in fair value of interest rate swap	<u>395,649</u>	<u>229,517</u>	<u>-</u>	<u>-</u>	<u>395,649</u>	<u>229,517</u>
Change in net position	1,080,073	(188,515)	5,401	100,844	1,085,474	(87,671)
Net position, (deficit), July 1,	<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>
Net position (deficit), June 30	<u>\$ (3,029,703)</u>	<u>\$ (4,109,776)</u>	<u>\$ 136,490</u>	<u>\$ 131,089</u>	<u>\$ (2,893,213)</u>	<u>\$ (3,978,687)</u>

Governmental Activities - Total revenues increased due to increases in grant and State funding as well as contributions. Total expenses increased compared to the previous year mainly due to an increase in system-wide support services.

Business-type Activities - Total revenues decreased due to a reduction in rental income. Total expenses increased due to the maintenance of the 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	2022		2021	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instruction	\$ 4,023,012	49%	\$ 3,469,371	50%
Administrative services	1,122,296	13%	1,016,292	15%
Plant operations and maintenance	920,649	10%	876,532	12%
Debt service	402,764	5%	466,900	7%
Transportation services	418,672	5%	257,326	4%
All other functions/programs	1,507,994	18%	810,369	12%
Total governmental expenditures	\$ 8,395,387	100%	\$ 6,896,790	100%

Capital Assets and Debt Administration

Capital assets: At June 30, 2022, the School had capital assets of \$ 5,568,756, net of accumulated depreciation and amortization, invested in intangible right to use assets, land, buildings and improvements, furniture, fixtures and equipment, and vehicles, as compared to \$ 5,243,541 at June 30, 2021.

Debt: At June 30, 2022, the School had outstanding debt of \$ 6,204,453, as compared to \$ 6,649,212 at June 30, 2021. Additional information on the School’s debt can be found in Notes 6 through 10 on pages 26 through 28.

General Fund Budgetary Highlights

Total state source revenues were favorable to budget due to the receipt of charter referendum funds. Local source revenues were also unfavorable to budget due to lower local tax millage revenues than anticipated. Total expenditures were unfavorable to budget mainly due to increases in instruction. Overall, the School ended the year with a change in fund balance that was unfavorable to the budget by approximately \$ 521,450.

Economic Factors and Next Year’s Budget

In fiscal year 2022, the State of Florida continued to include a teacher salary increase allocation (TSIA) of \$ 550 million. The capital outlay funding pool ended up at \$ 183.2 million. In addition to the TSIA, teachers also received a compensation increase to align overall salaries with district levels.

For fiscal year 2023, the teacher salary increase allocation will be \$ 800 million and will continue to be part of 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 Yeimy Guzman, Controller - 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, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$ 241,285	\$ 198,555	\$ 439,840
Due from other governments	161,912	-	161,912
Other receivables	9,162	-	9,162
Internal balances	62,065	(62,065)	-
Prepaid items	11	-	11
Deposits	15,873	-	15,873
	<u>490,308</u>	<u>136,490</u>	<u>626,798</u>
Total current assets			
Noncurrent Assets:			
Asset associated with interest rate swap	44,222	-	44,222
Capital assets (depreciable and amortizable), net of accumulated depreciation and amortization	5,568,756	-	5,568,756
	<u>5,612,978</u>	<u>-</u>	<u>5,612,978</u>
Total noncurrent assets			
Total assets			
	<u>6,103,286</u>	<u>136,490</u>	<u>6,239,776</u>
Deferred Outflows of Resources:			
Deferred outflows related to pensions	1,033,812	-	1,033,812
	<u>1,033,812</u>	<u>-</u>	<u>1,033,812</u>
Current Liabilities:			
Accounts payable and accrued liabilities	86,941	-	86,941
Salaries and wages payable	232,400	-	232,400
Due to management company	125,952	-	125,952
Accrued interest payable	8,747	-	8,747
Lease	13,487	-	13,487
Bonds payable	195,840	-	195,840
	<u>663,367</u>	<u>-</u>	<u>663,367</u>
Total current liabilities			
Noncurrent Liabilities:			
Net pension liability	1,554,624	-	1,554,624
Lease	32,501	-	32,501
Note payable	466,861	-	466,861
Bonds payable	5,495,764	-	5,495,764
	<u>7,549,750</u>	<u>-</u>	<u>7,549,750</u>
Total noncurrent liabilities			
Total liabilities			
	<u>8,213,117</u>	<u>-</u>	<u>8,213,117</u>
Deferred Inflows of Resources:			
Deferred inflows related to pensions	1,953,684	-	1,953,684
	<u>1,953,684</u>	<u>-</u>	<u>1,953,684</u>
Commitments (Note 14)			
	-	-	-
Net Position (Deficit):			
Net investment in capital assets (deficit)	(168,836)	-	(168,836)
Restricted for extracurricular activities	27,375	-	27,375
Unrestricted (deficit)	(2,888,242)	136,490	(2,751,752)
	<u>(2,888,242)</u>	<u>136,490</u>	<u>(2,751,752)</u>
Total net position (deficit)			
	<u>\$ (3,029,703)</u>	<u>\$ 136,490</u>	<u>\$ (2,893,213)</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, 2022

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	\$ 3,713,574	\$ -	\$ 439,212	\$ -	\$ (3,274,362)	\$ -	\$ (3,274,362)
Student support services	383,366	-	68,583	-	(314,783)	-	(314,783)
Instructional staff training services	19,634	-	-	-	(19,634)	-	(19,634)
Instruction related technology	104,753	-	-	-	(104,753)	-	(104,753)
Board	14,448	-	-	-	(14,448)	-	(14,448)
School administration	1,122,296	-	-	-	(1,122,296)	-	(1,122,296)
Fiscal services	40,951	-	-	-	(40,951)	-	(40,951)
Central services	99,868	-	-	-	(99,868)	-	(99,868)
Transportation services	418,672	-	61,606	-	(357,066)	-	(357,066)
Operation of plant	980,281	-	234,149	387,200	(358,932)	-	(358,932)
Maintenance of plant	205,429	-	13,984	-	(191,445)	-	(191,445)
Community services	-	3,820	-	-	3,820	-	3,820
Extracurricular activities	104,060	-	94,448	-	(9,612)	-	(9,612)
Interest on long-term debt	200,922	-	-	-	(200,922)	-	(200,922)
Total governmental activities	<u>7,408,254</u>	<u>3,820</u>	<u>911,982</u>	<u>387,200</u>	<u>(6,105,252)</u>	<u>-</u>	<u>(6,105,252)</u>
Business-type activities:							
Motion picture productions	<u>82,255</u>	<u>87,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,071</u>	<u>5,071</u>
Total business-type activities	<u>82,255</u>	<u>87,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,071</u>	<u>5,071</u>
Total primary government	<u>\$ 7,490,509</u>	<u>\$ 91,146</u>	<u>\$ 911,982</u>	<u>\$ 387,200</u>	<u>(6,105,252)</u>	<u>5,071</u>	<u>(6,100,181)</u>
General revenues:							
Grants and entitlements					6,078,903	-	6,078,903
Debt forgiveness - Paycheck Protection Program					709,778	-	709,778
Contributions					0	-	0
Investment income					846	330	1,176
Miscellaneous					149	-	149
Total general revenues					<u>6,789,676</u>	<u>330</u>	<u>6,790,006</u>
Change in net position before change in fair value of interest rate swap					<u>684,424</u>	<u>5,401</u>	<u>689,825</u>
Change in fair value of interest rate swap (Note 6)					<u>395,649</u>	<u>-</u>	<u>395,649</u>
Change in net position					<u>1,080,073</u>	<u>5,401</u>	<u>1,085,474</u>
Net position (deficit), July 1, 2021					<u>(4,109,776)</u>	<u>131,089</u>	<u>(3,978,687)</u>
Net position (deficit), June 30, 2022					<u>\$ (3,029,703)</u>	<u>\$ 136,490</u>	<u>\$ (2,893,213)</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, 2022

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Project Fund</u>	<u>Club and Activities Fund</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 166,044	\$ -	\$ -	\$ 75,241	\$ 241,285
Due from other governments	-	132,956	28,956	-	161,912
Due from Enterprise Fund	62,065	-	-	-	62,065
Other receivables	9,162	-	-	-	9,162
Due from other funds	209,778	-	-	-	209,778
Prepaid items	11	-	-	-	11
Deposits	15,873	-	-	-	15,873
	<u>462,933</u>	<u>132,956</u>	<u>28,956</u>	<u>75,241</u>	<u>700,086</u>
Total assets	\$ <u>462,933</u>	\$ <u>132,956</u>	\$ <u>28,956</u>	\$ <u>75,241</u>	\$ <u>700,086</u>
Liabilities:					
Accounts payable and accrued liabilities	\$ 86,941	\$ -	\$ -	\$ -	\$ 86,941
Salaries and wages payable	232,400	-	-	-	232,400
Due to management company	125,952	-	-	-	125,952
Due to Enterprise Fund	-	132,956	28,956	47,866	209,778
Due to other funds	-	-	-	-	-
	<u>445,293</u>	<u>132,956</u>	<u>28,956</u>	<u>47,866</u>	<u>655,071</u>
Total liabilities	\$ <u>445,293</u>	\$ <u>132,956</u>	\$ <u>28,956</u>	\$ <u>47,866</u>	\$ <u>655,071</u>
Commitments (Note 14)	-	-	-	-	-
Fund Balances:					
Nonspendable:					
Prepaid items	11	-	-	-	11
Deposits	15,873	-	-	-	15,873
Restricted for extracurricular activities	-	-	-	27,375	27,375
Unassigned	1,756	-	-	-	1,756
	<u>17,640</u>	<u>-</u>	<u>-</u>	<u>27,375</u>	<u>45,015</u>
Total fund balances	\$ <u>17,640</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>27,375</u>	\$ <u>45,015</u>
Total liabilities and fund balances	\$ <u>462,933</u>	\$ <u>132,956</u>	\$ <u>28,956</u>	\$ <u>75,241</u>	\$ <u>700,086</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, 2022

Total Fund Balances - Governmental Funds \$ 45,015

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 and amortization, among the assets of the School as a whole.

Cost of capital assets	\$ 9,991,987	
Accumulated depreciation and amortization	<u>(4,423,231)</u>	5,568,756

Long-term assets are not available to pay for current period expenditures and, therefore, are not recorded in the funds:

Asset associated with interest rate swap	44,222	
Deferred outflows related to pensions	1,033,812	1,078,034

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)	
Lease	(45,988)	
Bonds payable	(5,691,604)	
Note payable	(466,861)	
Net pension liability	(1,554,624)	
Deferred inflows related to pensions	<u>(1,953,684)</u>	<u>(9,721,508)</u>

Net Position (Deficit) of Governmental Activities \$ (3,029,703)

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, 2022

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Project Fund</u>	<u>Club and Activities Fund</u>	<u>Total</u>
Revenues:					
Federal through state	\$ -	\$ 510,579	\$ -	\$ -	\$ 510,579
State sources	6,375,640	-	387,200	-	6,762,840
Local sources	25,777	-	-	94,448	120,225
Aftercare	3,820	-	-	-	3,820
	<u>6,405,237</u>	<u>510,579</u>	<u>387,200</u>	<u>94,448</u>	<u>7,397,464</u>
Total revenues					
Expenditures:					
Instruction	3,971,436	51,576	-	-	4,023,012
Student support services	314,783	68,583	-	-	383,366
Instructional staff training services	19,634	-	-	-	19,634
Instruction related technology	104,753	-	-	-	104,753
Board	14,448	-	-	-	14,448
School administration	1,122,296	-	-	-	1,122,296
Fiscal services	40,951	-	-	-	40,951
Central services	99,868	-	-	-	99,868
Transportation services	418,672	-	-	-	418,672
Operation of plant	328,020	-	387,200	-	715,220
Maintenance of plant	191,445	13,984	-	-	205,429
Extracurricular activities	-	-	-	104,060	104,060
Capital outlay	515,868	225,046	-	-	740,914
Debt service:					
Principal	201,842	-	-	-	201,842
Interest	200,922	-	-	-	200,922
	<u>7,544,938</u>	<u>359,189</u>	<u>387,200</u>	<u>104,060</u>	<u>8,395,387</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>(1,139,701)</u>	<u>151,390</u>	<u>-</u>	<u>(9,612)</u>	<u>(997,923)</u>
Other Financing Sources (Uses):					
Proceeds from note payable	466,861	-	-	-	466,861
Transfer in	151,390	-	-	-	151,390
Transfer out	-	(151,390)	-	-	(151,390)
	<u>618,251</u>	<u>(151,390)</u>	<u>-</u>	<u>-</u>	<u>466,861</u>
Total other financing sources (uses)					
Net change in fund balances	<u>(521,450)</u>	<u>-</u>	<u>-</u>	<u>(9,612)</u>	<u>(531,062)</u>
Fund Balances, July 1, 2021	<u>539,090</u>	<u>-</u>	<u>-</u>	<u>36,987</u>	<u>576,077</u>
Fund Balances, June 30, 2022	<u>\$ 17,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,375</u>	<u>\$ 45,015</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, 2022

Net Change in Fund Balances - Governmental Fund \$ (531,062)

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 and amortization.

Cost of capital assets	\$	740,914	
Provision for depreciation and amortization		<u>(415,699)</u>	325,215

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)

Forgiveness of debt is recognized on the statement of activities, but is not reported in the governmental funds. 709,778

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (466,861)

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). 201,842

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	\$	395,649	
Change in net pension liability		1,543,043	
Changes in deferred outflows related to pensions		223,482	
Change in deferred inflows related to pensions		<u>(1,306,449)</u>	<u>855,725</u>

Change in Net Position of Governmental Activities \$ 1,080,073

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, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
State sources	\$ 6,349,850	\$ 6,375,640	\$ 25,790
Local sources	100,785	25,777	(75,008)
Aftercare	-	3,820	3,820
	<u>6,450,635</u>	<u>6,405,237</u>	<u>(45,398)</u>
Total revenues			
Expenditures:			
Instruction	2,909,203	3,971,436	(1,062,233)
Student support services	382,217	314,783	67,434
Instructional media services	2,100	-	2,100
Instructional staff training services	70,533	19,634	50,899
Instruction related technology	135,685	104,753	30,932
Board	10,650	14,448	(3,798)
School administration	1,109,701	1,122,296	(12,595)
Fiscal services	328,827	40,951	287,876
Central services	94,271	99,868	(5,597)
Transportation services	319,034	418,672	(99,638)
Operation of plant	255,951	328,020	(72,069)
Maintenance of plant	179,389	191,445	(12,056)
Community services	9,574	-	9,574
Capital outlay	240,735	515,868	(275,133)
Debt service:			
Principal	205,409	201,842	3,567
Interest	197,356	200,922	(3,566)
	<u>6,450,635</u>	<u>7,544,938</u>	<u>(1,094,303)</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,139,701)</u>	<u>(1,139,701)</u>
Other Financing Sources (Uses):			
Proceeds from note payable	-	466,861	466,861
Transfer in	-	151,390	151,390
	<u>-</u>	<u>618,251</u>	<u>618,251</u>
Total other financing sources (uses)			
Net change in fund balance	<u>\$ -</u>	<u>\$ (521,450)</u>	<u>\$ (521,450)</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, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Federal sources:			
IDEA	\$ 20,965	\$ 30,059	\$ 9,094
Title IV	-	11,519	11,519
ESSER I	658,664	79,747	(578,917)
ESSER II	-	379,261	379,261
GEER	-	9,993	9,993
	<u>679,629</u>	<u>510,579</u>	<u>(169,050)</u>
Total revenues			
Expenditures:			
Instruction	414,147	51,576	362,571
Student support services	10,000	68,583	(58,583)
Maintenance of plant	-	13,984	(13,984)
Capital outlay	255,482	225,046	30,436
	<u>679,629</u>	<u>359,189</u>	<u>320,440</u>
Total expenditures			
Excess of revenues over expenditures balance	<u>-</u>	<u>151,390</u>	<u>151,390</u>
Other Financing Uses:			
Transfer out	<u>-</u>	<u>(151,390)</u>	<u>(151,390)</u>
Net change in fund balance	<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, 2022

	Enterprise Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ <u>198,555</u>
Total current assets	\$ <u><u>198,555</u></u>
Liabilities	
Due to General Fund	\$ <u>62,065</u>
Total liabilities	<u>62,065</u>
Net Position:	
Unrestricted	<u>136,490</u>
Total net position	\$ <u><u>136,490</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, 2022

	Enterprise Fund
Operating Revenues:	
Rental income	\$ 87,326
Interest income	<u>330</u>
Total operating revenues	<u>87,656</u>
Operating Expenses:	
Movie production expense	<u>82,255</u>
Total operating expenses	<u>82,255</u>
Change in net position	5,401
Total Net Position - July 1, 2021	<u>131,089</u>
Total Net Position - June 30, 2022	<u>\$ 136,490</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, 2022

	Enterprise Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 95,034
Cash paid for goods and services	<u>(20,190)</u>
Net cash used by operating activities	<u>74,844</u>
Net increase in cash	74,844
Balances - July 1, 2021	<u>123,711</u>
Balances - June 30, 2022	<u>\$ 198,555</u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities:	
Operating income	\$ 5,401
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Decrease in other receivables	7,378
Increase (decrease) in accounts payable and accrued liabilities	<u>62,065</u>
Net Cash Provided by Operating Activities	<u>\$ 74,844</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 741 students enrolled for the 2021/2022 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.

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 one hundred twenty 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 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.

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

The School has recorded a right to use lease asset as a result of implementing the Financial Accounting Standards Board, Accounting Standards Update 2016-02, *Leases (Topic 842)*. The right to use asset is initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use asset is amortized on a straight-line basis over the life of the related lease.

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 11).

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 11).

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 11.

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 November 10, 2022, which is the date the financial statements were available to be issued.

Note 3 - Cash and Cash Equivalents

At June 30, 2022, the carrying amount of the deposits and cash on hand totaled \$ 439,840 with bank balances of \$ 470,836.

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.

Note 4 - Interfund Receivables and Payables and Interfund Transfers

The composition of interfund balances as of June 30, 2022 is as follows:

Due To/From Other Funds			Amount
Receivable Fund	Payable Fund		
General Fund	Grants Fund	\$	132,956
General Fund	Capital Projects Fund		28,956
General Fund	Club and Activities Fund		<u>47,866</u>
		\$	<u><u>209,778</u></u>

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund transfers for the year ended June 30, 2022 is as follows:

	Transfers In General Fund
Transfers Out: Grants Fund	\$ <u><u>151,390</u></u>

During the year, transfers were used to move prior year unavailable revenue that was received in fiscal year 2022 to the General Fund and to reimburse the General Fund for prior year grant expenditures.

Note 5 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2022 are as follows:

	Balance at July 1, 2021, as Reclassified	Additions	Deletions	Balance at June 30, 2022
Governmental Activities:				
Capital assets not being depreciated/ amortized:				
Land	\$ <u>1,456,929</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,456,929</u>
Total capital assets, not being depreciated/amortized	<u>1,456,929</u>	<u>-</u>	<u>-</u>	<u>1,456,929</u>
Capital assets being depreciated/ amortized:				
Buildings and improvements	6,814,748	423,218	-	7,237,966
Furniture, fixtures and equipment	912,649	317,696	-	1,230,345
Intangible right to use:				
Furniture, fixtures and equipment	<u>66,747</u>	<u>-</u>	<u>-</u>	<u>66,747</u>
Total capital assets being depreciated/amortized	<u>7,794,144</u>	<u>740,914</u>	<u>-</u>	<u>8,535,058</u>

G-Star School of the Arts, Inc.
Notes to Basic Financial Statements
June 30, 2022

Note 5 - Capital Assets (continued)

	Balance at July 1, 2021, as Reclassified	Additions	Deletions	Balance at June 30, 2022
Less accumulated depreciation/ amortization for:				
Buildings and improvements	3,245,374	265,061	-	3,510,435
Furniture, fixtures and equipment	748,809	137,288	-	886,097
Intangible right to use:				
Furniture, fixtures and equipment	<u>13,349</u>	<u>13,350</u>	-	<u>26,699</u>
Total accumulated depreciation/amortization	<u>4,007,532</u>	<u>415,699</u>	-	<u>4,423,231</u>
Total capital assets being depreciated/amortized, net	<u>3,786,612</u>	<u>325,215</u>	-	<u>4,111,827</u>
Governmental activities capital assets, net	\$ <u>5,243,541</u>	\$ <u>325,215</u>	\$ -	\$ <u>5,568,756</u>

Provision for depreciation and amortization was charged to governmental activities as follows:

Instruction	\$ 150,638
Operation of plant	<u>265,061</u>
	<u>\$ 415,699</u>

Note 6 - 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.

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
2023	\$ 195,840	\$ 190,260	\$ 386,100
2024	202,168	183,972	386,140
2025	209,737	176,451	386,188
2026	217,061	169,174	386,235
2027	224,640	161,643	386,283
2028-2032	1,245,659	675,335	1,920,994
2033-2037	1,479,453	451,830	1,931,283
2038-2042	1,756,642	181,137	1,937,779
2043	<u>160,404</u>	<u>1,259</u>	<u>161,663</u>
	\$ <u>5,691,604</u>	\$ <u>2,191,061</u>	\$ <u>7,882,665</u>

Note 6 - Bonds Payable (continued)

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% (2.531% at June 30, 2022).

The fair value benefit (obligation) of the Swap is based on a quote obtained from CenterState Bank, which was quoted at \$ 44,222 as of June 30, 2022, 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, 2022. 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 \$ 197,356 for the year ended June 30, 2022.

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. The School has obtained a waiver for the debt service covenant for the year ending June 30, 2022.

Note 7 - Lease

Previously, the School entered into a lease arrangement for computer equipment. The lease requires monthly payments of \$ 1,348 through August 2025. As of June 30, 2022, the net book value of the computer equipment is approximately \$ 40,000. Amortization of the computer equipment is included with depreciation expenses.

Future minimum payments at June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
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>\$ 45,988</u>	<u>\$ 5,220</u>	<u>\$ 51,208</u>

Note 8 - Note Payable - Paycheck Protection Program

In March 2021, the School 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 received full forgiveness of this loan on January 24, 2022.

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Notes to Basic Financial Statements
June 30, 2022

Note 9 - Note Payable - RAD

In June 2022, the School executed a promissory note for \$ 466,861 with Red Apple Development, LLC (RAD). The loan requires monthly payments of principal and interest totaling \$ 14,202 starting July 1, 2023 and bears interest rate at 6.00% per annum. The note is collateralized by a mortgage on a parcel of real estate with an assessed value of approximately \$ 9.5 million. The loan matures on June 1, 2026, at which all remaining principal and interest amounts are due.

Future minimum payments at June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 119,362	\$ 51,072	\$ 170,434
2025	153,767	16,667	170,434
2026	193,732	7,183	200,915
	<u>\$ 466,861</u>	<u>\$ 74,922</u>	<u>\$ 541,783</u>

Note 10 - Long-Term Liabilities

Changes in the School's long-term liabilities for the fiscal year ended June 30, 2022, are as follows:

	Balance July 1, 2021	Additions	Retirements and Forgiveness	Balance June 30, 2022	Amount Due Within One Year
Series 2017 Industrial Revenue Bonds	\$ 5,880,836	\$ -	\$ 189,232	\$ 5,691,604	\$ 195,840
Lease - computer equipment	58,598	-	12,610	45,988	13,487
Note payable - Paycheck Protection Program	709,778	-	709,778	-	-
Note payable - RAD	-	466,861	-	466,861	-
Net pension liability	3,097,667	-	1,543,043	1,554,624	-
	<u>\$ 9,746,879</u>	<u>\$ 466,861</u>	<u>\$ 2,454,663</u>	<u>\$ 7,759,077</u>	<u>\$ 209,327</u>

Note 11 - 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 11 - 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.

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 11 - Employee Benefit Plans (continued)

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before August 1, 2011, and all service credit was accrued before August 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before August 1, 2011, and has service credit on or after August 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 2021-22 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, 2022, the School reported a liability of \$ 419,213 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The School's proportionate share of the net pension liability was based on the School's 2020-2021 fiscal year contributions relative to the total 2020-2021 fiscal year contributions of all participating members. At June 30, 2021, the School's proportionate share was .005549645 percent, which was an increase of .000859586 percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the School recognized pension expense (income) of \$ (21,978). 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	\$ 71,854	\$ -
Change of assumptions	286,846	-
Net difference between projected and actual earnings on FRS Plan investments	-	1,462,527
Changes in proportion and differences between School FRS contributions and proportionate share of contributions	251,043	238,989
School FRS contributions subsequent to the measurement date	197,181	-
Total	\$ <u>806,924</u>	\$ <u>1,701,516</u>

Note 11 - 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,	
2023	\$ (204,585)
2024	(232,535)
2025	(310,276)
2026	(381,798)
2027	37,421
Thereafter	-

Actuarial Assumptions. The total pension liability in the July 1, 2021, 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, 2021 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%	2.1%	2.1%	1.1%
Fixed income	20.0%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Real estate (property)	10.3%	7.1%	6.2%	13.8%
Private equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.7%	5.7%	5.4%	8.4%
Total	<u>100.0%</u>			
Assumed inflation - mean			2.4%	1.2%

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

Note 11 - 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.

Sensitivity of the School's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the School's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80 percent, as well as what the School 's proportionate share of the net pension liability (asset) 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 (asset)	\$ 1,874,747	\$ 419,213	\$ (797,451)

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, 2022, 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, 2022, 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, 2022, the School reported a net pension liability of \$ 1,135,411 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 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, 2021, the School's proportionate share was .009256194 percent, which was an increase of .00345496 percent from its proportionate share measured as of June 30, 2020.

Note 11 - 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 2.16 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 2.16 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 (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	<u>1% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
School's proportionate share of the net pension liability	\$ 1,312,646	\$ 1,135,411	\$ 990,208

For the fiscal year ended June 30, 2022, the School recognized pension expense of \$ 29,204. 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	\$ 37,994	\$ 476
Change of assumptions	89,218	46,782
Net difference between projected and actual earnings on HIS Plan investments	1,184	-
Changes in proportion and differences between School HIS contributions and proportionate share of contributions	33,330	204,910
School HIS contributions subsequent to the measurement date	<u>65,162</u>	<u>-</u>
Total	\$ <u><u>226,888</u></u>	\$ <u><u>252,168</u></u>

Note 11 - 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, 2023. 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,	
2023	\$ (17,467)
2024	(30,209)
2025	(20,435)
2026	(11,254)
2027	(10,417)
Thereafter	(660)

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
Municipal bond rate	2.16 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	\$ 419,213	\$ 1,135,411	\$ 1,554,624
Deferred outflows of resources	\$ 806,924	\$ 226,888	\$ 1,033,812
Deferred inflows of resources	\$ 1,701,516	\$ 252,168	\$ 1,953,684
Pension expense (income)	\$ (21,978)	\$ 29,204	\$ 7,226

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 11 - 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 \$ 162,388 for the fiscal year ended June 30, 2022.

Note 12 - 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 \$ 387,200 for the 2021/2022 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 13 - 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 14 - 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, 2022 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, 2022, CSUSA did not receive a fee.

The basic financial statements reflect a due to CSUSA which totaled \$ 125,952 at June 30, 2022.

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)**

	2022	2021	2020	2019	2018	2017	2016	2015
School's Proportion of the net pension liability	0.005549645%	0.004636864%	0.005672164%	0.006213128%	0.006060720%	0.005895338%	0.006661181%	0.006870718%
School's Proportionate share of the net pension liability	\$ 419,213	\$ 2,009,685	\$ 1,953,414	\$ 1,871,426	\$ 1,792,720	\$ 1,488,577	\$ 860,381	\$ 419,215
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	\$ 2,065,856
School's proportionate share of the net pension liability as a percentage of its covered payroll	25.23%	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	96.40%	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)**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 197,181	\$ 138,594	\$ 108,280	\$ 133,875	\$ 131,818	\$ 116,037	\$ 108,864	\$ 111,651
Contributions in relation to the contractually required contribution	<u>(197,181)</u>	<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	\$ 2,152,634	\$ 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	9.16%	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)**

	2022	2021	2020	2019	2018	2017	2016	2015
School's Proportion of the net pension liability	0.925619400%	0.008910698%	0.010919620%	0.011336526%	0.011672505%	0.011888417%	0.011827624%	0.013074334%
School's proportionate share of the net pension liability	\$ 1,135,411	\$ 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	\$ 3,276,888	\$ 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	34.65%	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	3.56%	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)**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 65,162	\$ 54,396	\$ 51,373	\$ 60,623	\$ 61,465	\$ 61,786	\$ 60,923	59,567
Contributions in relation to the contractually required contribution	<u>(65,162)</u>	<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)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School's covered payroll	\$ 3,925,429	\$ 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%	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, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 10, 2022.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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
November 10, 2022

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, 2022, and have issued our report thereon dated November 10, 2022.

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 November 10, 2022, 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
November 10, 2022