

**PHOENIX EDUCATION NETWORK, INC.  
d/b/a  
NAPLES CLASSICAL ACADEMY**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Financial Statements  
with Independent Auditor's Reports Thereon**

**June 30, 2022**



**McCRADY & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

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**PHOENIX EDUCATION NETWORK, INC.**  
**d/b/a**  
**NAPLES CLASSICAL ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Management of Phoenix Education Network, Inc. d/b/a Naples Classical Academy (the "School"), offers the following narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2022. Readers are encouraged to use this information in conjunction with information furnished in the School's financial statements. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements and other supplemental information.

**FINANCIAL HIGHLIGHTS**

- ❖ This is the School's first year of operations.
- ❖ For the fiscal year ended June 30, 2022, the School's total expenses exceeded revenues by approximately \$1,124,846.
- ❖ For the fiscal year ended June 30, 2022, the School ended with a total combined fund balance of approximately \$1,275,090.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to School's basic financial statements. The School's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information to enhance the reader's understanding of the financial condition of School. This document also includes the 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*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, Audits of Charter Schools and Similar Entities.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and the current year changes. The net position is the difference between the School's total assets and total liabilities. Measuring the net position is one way to evaluate the School's financial condition. The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities and 3) component units. The governmental activities include the School's

basic services. The business-type activities are those that the School charges for certain services. For the year ended June 30, 2022, the School had no business-type activities or component units.

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. All of the operations of the School are presented in governmental funds only.

## **Governmental Funds**

Governmental funds are used to account for those functions reported as governmental activities. The School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what money left at year-end is available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements provide a detailed short-term view of the financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts an annual budget for its general fund and special revenue fund, as required by the Florida Statutes. The budget is legally adopted by management of the School and its Board. The budgetary comparison schedule has been included as part of the required supplementary information. The budgetary comparison schedule shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges and ending balances in the general fund, and 4) the variance between the final budget and the actual resources and charges.

## **Notes to Financial Statements**

The notes to financial statements provide additional information essential to the full understanding of the information reported in the government-wide and fund financial statements. The notes to the financial statements start on page 16 of this report.

This report also includes the 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*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

## GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL

The School's combined net position as of June 30, 2022 is summarized as follows:

	<b>Governmental Activities</b>
<b>Assets:</b>	<b>2022</b>
Current assets	\$ 2,689,567
Capital assets, net	19,874,176
Total Assets	<u>22,563,743</u>
<b>Liabilities:</b>	
Current liabilities	1,414,477
Long-term liabilities	23,623,609
Total Liabilities	<u>25,038,086</u>
<b>Net position:</b>	
Invested in capital assets, net of related debt	(3,749,433)
Restricted for:	
Capital projects	837,412
Unrestricted	437,678
Total Net Position	<u>\$ (2,474,343)</u>

The School has been in operations for one year; therefore, a comparative government-wide financial analysis is not presented.

## Change in Net Position

The School's total expenses exceeded revenues by approximately \$1,125,000 in fiscal year 2022—see table below.

	<u>2022</u>
<b>Revenue:</b>	
Federal sources passed through local school district	\$ 1,105,875
State and local sources	9,035,145
Contributions and other revenues	358,539
Total revenues	<u>10,499,559</u>
<b>Expenses:</b>	
Instruction	4,913,374
Pupil personnel services	186,523
Instructional media services	6,860
Board	3,899
General administration	1,356,280
School administration	1,957,226
Food services	460,821
Transportation	91,380
Operation of plant	887,681
Maintenance of plant	15,651
Community Services	98,745
Interest	1,645,965
Total expenses	<u>11,624,405</u>
Change in net position	<u>\$ (1,124,846)</u>

The School has been in operations for one year; therefore, a comparative government-wide financial analysis is not presented.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

### Governmental Funds

The focus of the School's governmental funds is to provide information on near term inflows, outflows, and balances of usable resources. Such information is useful in assessing School's financing requirements. Specifically, unassigned fund balance is a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the School completed the year, its governmental funds reported a combined fund balance of approximately \$1,275,000.

### General Fund Budgetary Highlights

During the fiscal year, the School made no amendments to its budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize changes in funding amounts; and 3) changes in appropriations that become necessary to maintain services.

In the general fund, actual revenues exceeded budgeted amounts by approximately \$617,000. Expenditures were approximately \$187,000 more than budgeted amounts.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal 2022, the School had invested approximately \$19,900,000 in capital assets, net of accumulated depreciation of approximately \$512,000.

	<u>2022</u>
Land	\$ 5,000,000
Land improvement	12,000
Building	14,518,161
Furniture, fixtures and equipment	855,917
Less - accumulated depreciation	<u>(511,902)</u>
Total capital assets	<u>\$ 19,874,176</u>

More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

## **Long-term Liabilities**

The school has outstanding bonds, net of amortized discount, in the amount of approximately \$23,000,000. Additionally, the school has \$600,000 of notes payable outstanding as of June 30, 2022. The school paid interest of approximately \$1,600,000 during fiscal year June 30, 2022. More detailed information about the School's long-term liabilities is presented in Note 4 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

### **Budget Highlights for the Fiscal Year Ended June 30, 2023**

Amounts available for appropriation in the general fund are approximately \$11 million, an increase of approximately \$2 million over the actual 2022 amount. The change is due to a budgeted increase in student population as compared to the end of fiscal 2022.

Budgeted expenditures in the general fund are approximately \$9.9 million for 2023. The increase is primarily due to increased instructional expenses.

If these estimates are realized, the School's general fund balance is expected to increase in fiscal year ending June 30, 2023.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 10270 Immokalee Rd, Naples, FL 34120.





## Independent Auditor's Report

To the Board of Directors of Phoenix Education Network Inc., d/b/a Naples Classical Academy,  
a Charter School and Component Unit of the District  
School Board of Collier County, Florida

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Phoenix Education Network, Inc. dba Naples Classical Academy (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, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof 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 and budgetary comparison information on pages 1-6 and 28-29 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.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 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 School's internal control over financial reporting and compliance.

*McCrary & Associates, PLLC*

Altamonte Springs, Florida  
November 15, 2022

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**PHOENIX EDUCATION NETWORK, INC.  
d/b/a NAPLES CLASSICAL ACADEMY**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Statement of Net Position**

**June 30, 2022**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,455,738
Restricted cash	837,412
Due from other agencies	396,417
Capital assets:	
Land	5,000,000
Land improvements	12,000
Buildings	14,518,161
Furniture, fixtures and equipment	855,917
Less accumulated depreciation	(511,902)
Total capital assets, net	19,874,176
Total assets	\$ 22,563,743
<b>Liabilities</b>	
Accounts payable	\$ 430,531
Accrued expenses	396,393
Contracted service fees payable	587,553
Long-term liabilities:	
Portion due or payable after one year:	
Bond payable	24,680,000
Discount on bond payable	(1,656,391)
Note payable	600,000
Total liabilities	25,038,086
<b>Net Position</b>	
Invested in capital assets, net of related debt	(3,749,433)
Restricted for:	
Capital projects	837,412
Unrestricted	437,678
Total net position	(2,474,343)
Total liabilities and net position	\$ 22,563,743

The accompanying notes to financial statements are an integral part of this statement.

**PHOENIX EDUCATION NETWORK, INC.  
d/b/a NAPLES CLASSICAL ACADEMY**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Statement of Activities**

**For the Year Ended June 30, 2022**

	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction	\$ 4,913,374	\$ -	\$ 279,692	\$ -	\$ (4,633,682)	\$ (4,633,682)
Pupil personnel services	186,523	-	93,776	-	(92,747)	(92,747)
Instructional staff training	6,860	-	-	-	(6,860)	(6,860)
Board	3,899	-	-	-	(3,899)	(3,899)
General administration	1,356,280	-	6,750	-	(1,349,530)	(1,349,530)
School administration	1,957,226	-	-	-	(1,957,226)	(1,957,226)
Food services	460,821	-	630,339	-	169,518	169,518
Transportation	91,380	-	-	-	(91,380)	(91,380)
Operation of plant	887,681	-	-	-	(887,681)	(887,681)
Maintenance of plant	15,651	-	-	-	(15,651)	(15,651)
Community services	98,745	-	-	-	(98,745)	(98,745)
Interest	1,645,965	-	-	-	(1,645,965)	(1,645,965)
<b>Total primary government</b>	<b>\$ 11,624,405</b>	<b>\$ -</b>	<b>\$ 1,010,557</b>	<b>\$ -</b>	<b>(10,613,848)</b>	<b>(10,613,848)</b>
General revenues:						
Federal sources					\$ 95,318	\$ 95,318
State and local sources					9,035,145	9,035,145
Contributions and other revenues					358,539	358,539
Total general revenues					9,489,002	9,489,002
Changes in net position					(1,124,846)	(1,124,846)
Net position at beginning of year					(1,349,497)	(1,349,497)
Net position at end of year					<b>\$ (2,474,343)</b>	<b>\$ (2,474,343)</b>

The accompanying notes to financial statements are an integral part of this statement.

**PHOENIX EDUCATION NETWORK, INC.  
d/b/a NAPLES CLASSICAL ACADEMY**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Balance Sheet - Governmental Funds**

**June 30, 2022**

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,455,738	\$ -	\$ -	\$ 1,455,738
Restricted cash		837,412		837,412
Due from other agencies	250	-	396,167	396,417
Due from other fund	396,167	-	-	396,167
Total assets	<u>\$ 1,852,155</u>	<u>\$ 837,412</u>	<u>\$ 396,167</u>	<u>\$ 3,085,734</u>
<b>Liabilities</b>				
Accounts payable	\$ 430,531	\$ -	\$ -	\$ 430,531
Accrued expenses	396,393	-	-	396,393
Contracted service fees payable	587,553	-	-	587,553
Due to other fund	-	-	396,167	396,167
Total liabilities	<u>1,414,477</u>	<u>-</u>	<u>396,167</u>	<u>1,810,644</u>
<b>Fund Balance</b>				
Restricted:				
Capital projects	-	837,412	-	837,412
Spendable:				
Unassigned	437,678	-	-	437,678
Total fund balance	<u>437,678</u>	<u>837,412</u>	<u>-</u>	<u>1,275,090</u>
Total liabilities and fund balance	<u>\$ 1,852,155</u>	<u>837,412</u>	<u>\$ 396,167</u>	<u>\$ 3,085,734</u>

The accompanying notes to financial statements are an integral part of this statement.

**PHOENIX EDUCATION NETWORK, INC.  
d/b/a NAPLES CLASSICAL ACADEMY**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Position**

**June 30, 2022**

**Total fund balance - general fund** \$ 1,275,090

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets at year end consisted of:

Capital assets	20,386,078
Accumulated depreciation	(511,902)

Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Note payable	(600,000)
Bonds payable	(24,680,000)
Discount on bonds payable	1,656,391
	<hr/>

**Total net position - governmental activities** \$ (2,474,343)

The accompanying notes to financial statements are an integral part of this statement.

**PHOENIX EDUCATION NETWORK, INC.  
d/b/a NAPLES CLASSICAL ACADEMY**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds**

**For the Year Ended June 30, 2022**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Federal sources passed through local school district	\$ -	\$ -	\$ 1,105,875	\$ -	\$ 1,105,875
State and local sources	8,534,466	500,679	-	-	9,035,145
Contributions and other revenues	358,539	-	-	-	358,539
Total revenues	<u>8,893,005</u>	<u>500,679</u>	<u>1,105,875</u>	<u>-</u>	<u>10,499,559</u>
<b>Expenditures</b>					
Current:					
Instruction	4,633,682	-	279,692	-	4,913,374
Pupil personnel services	92,747	-	93,776	-	186,523
Instructional staff training	6,860	-	-	-	6,860
Board	3,899	-	-	-	3,899
General administration	1,349,530	-	6,750	-	1,356,280
School administration	1,836,184	-	-	-	1,836,184
Food services	-	-	452,920	-	452,920
Transportation	91,380	-	-	-	91,380
Operation of plant	434,049	-	-	-	434,049
Maintenance of plant	15,651	-	-	-	15,651
Community services	98,745	-	-	-	98,745
Debt service:					
Interest	-	-	-	1,645,965	1,645,965
Capital outlay	-	11,499,928	95,318	-	11,595,246
Total expenditures	<u>8,562,727</u>	<u>11,499,928</u>	<u>928,456</u>	<u>1,645,965</u>	<u>22,637,076</u>
Excess (deficiencies) of revenue over expenditures	<u>330,278</u>	<u>(10,999,249)</u>	<u>177,419</u>	<u>(1,645,965)</u>	<u>(12,137,517)</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfer in	177,419	-	-	1,645,965	1,823,384
Operating transfer out	(269,093)	(1,376,872)	(177,419)	-	(1,823,384)
Total other financing sources	<u>(91,674)</u>	<u>(1,376,872)</u>	<u>(177,419)</u>	<u>1,645,965</u>	<u>-</u>
Net changes in fund balance	238,604	(12,376,121)	-	-	(12,137,517)
Fund balance at beginning of year	199,074	13,213,533			13,412,607
Fund balance at end of year	<u>\$ 437,678</u>	<u>\$ 837,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,275,090</u>

The accompanying notes to financial statements are an integral part of this statement.



**PHOENIX EDUCATION NETWORK, INC.  
d/b/a NAPLES CLASSICAL ACADEMY**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities**

**For the Year Ended June 30, 2022**

**Net changes in fund balance - governmental funds** \$ (12,137,517)

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, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount incurred in the current period:

Capital outlay	11,595,246
Depreciation expense	(511,366)

Amortization of bond discounts are expenditures in the governmental funds, but the amortization reduces bond discount contra-liabilities in the statement of net position.

(71,209)

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**Change in net position of governmental activities** \$ (1,124,846)

The accompanying notes to financial statements are an integral part of this statement.

**PHOENIX EDUCATION NETWORK, INC.**  
**d/b/a**  
**NAPLES CLASSICAL ACADEMY**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Notes to Financial Statements**

**For the Year Ended June 30, 2022**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Phoenix Education Network Inc., d/b/a Naples Classical Academy (the “School”), is a not-for-profit corporation that operates under a charter approved by the sponsoring district, the District School Board of Collier County Florida (the “School Board”). The governing body of the School is the Board of Directors of School, which is composed of at least three members.

**Charter Contract**

The School operates under a charter effective February 4, 2020 which had an expiration date of June 30, 2025. Upon the expiration of the charter, the School Board may elect not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter’s expiration. However, the School Board may terminate the current charter at any time if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert to the School Board.

**Basis of Presentation**

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Audits for States and Local Governments* and provisions in the Florida Statutes, the School is considered as a governmental organization for financial statement reporting purposes. The School is required by its agreement with the School Board to use the governmental reporting model and follow the fund and accounting structure provided in the “Financial and Program Cost Accounting and Reporting for Florida Schools – The Red Book” issued by the FDOE.

**Government-Wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the School in a manner similar to those of a private-sector business. The statement of net position and statement of activities are designed to provide financial information as a whole about the School on an accrual basis of accounting. The statement of net position provides information about the School’s financial position, its assets and liabilities, using an economic resources measurement focus.

The statement of activities presents a comparison between direct expenses and program revenue for each function or program of the School’s governmental activities. Direct expenses are those that are specifically associated with a program or function, therefore, are clearly identifiable to a particular function.

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Program revenues include charges paid by the recipient for goods and services offered by the program, grants and contributions restricted for meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenue.

**Fund Financial Statements**

The governmental fund financial statements report detailed information about the School's most significant funds, not the School as a whole. A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance related requirements. Certain funds are established by law while others are created by grant agreements. The following are major individual governmental funds reported in the fund financial statements:

- General Fund – is the School's primary operating fund that accounts for all financial resources of the school, except those required to be accounted for in another fund.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.
- Debt Service Fund – to account for the accumulation of resources for, and payment of general long-term debt principal, interest, and related costs.
- Special Revenue Fund – to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for a specific purpose.

For the purpose of these statements, the general, special revenue, capital projects fund and debt service funds are considered major funds.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reports 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 accrual basis of accounting. Revenues are recognized when earned and expenses/expenditures are recognized when a liability is incurred, regardless of the timing the related cash flows take place.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Under this method, revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenues are recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-

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term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisition of capital leases are reported as other financing sources.

**Budgetary Basis Accounting**

Budgets are prepared using the modified accrual basis of accounting and the governing board must approve all budgets and amendments. During the fiscal year, expenditures were controlled at the object level. Budgets may be amended by resolution of the Board prior to the date of the annual report.

**Cash and Cash Equivalents**

The School's cash and cash equivalents consist primarily of demand deposits with financial institutions.

For the year ended June 30, 2022, the School had restricted cash of approximately \$837,000 which includes amounts that are restricted by the bond issuance for debt service.

The School maintains its cash with primarily two financial institutions. Cash held at these institutions totals approximately \$2,290,000 of which approximately \$1,790,000 of these deposits are in excess of the FDIC insurance limits of \$250,000. The School has not experienced any losses associated with these accounts.

**Capital Assets and Depreciation**

The School's capital assets with useful lives of more than one year are stated at historical cost and reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value on the date of donation. The School capitalizes assets with a cost of \$750 or more. Expenditures of normal maintenance and repair that do not add to the assets value or extend the useful lives are not capitalized. Depreciation is computed using the straight-line method. Estimated useful lives of the assets are as follows:

	<u>Years</u>
Building	40
Leasehold improvements	10
Furniture, fixtures and equipment	3-7

**Interfund Transfers**

The School reports its general fund, capital projects fund, special revenue fund and debt service fund as major funds. For the year ended June 30, 2022, the general fund and capital projects fund transferred approximately \$269,000 and \$1,377,000, respectively, to the debt service fund

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for debt service payments. The special revenue fund transferred approximately \$177,000 to the general fund.

**Net Position and Fund Balance Classifications**

*Government-Wide financial statements*

Net Position is classified and reported in three components:

- Investment in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted – consists of amounts with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- Unrestricted – all other amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund financial statements*

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in not spendable form.
- Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance classification includes amounts that are intended to be used by the School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

This statement also clarifies the definition of the special revenue fund to denote that the special revenue may be used to account for the proceeds of specific revenue sources (other than trust for individual, private organizations or other governmental or for major capital projects) legally restricted to expenditures for specified purposes.

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**Order of Fund Balance Spending Policy**

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for non-general funds to be classified as restricted fund balance. It is also possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

**Revenue Sources**

Revenues for operations are provided primarily from the District School Board of Collier County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.22, Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the School District. The School Board receives a 5% administrative fee from the School, which is withheld from the respective Florida Education Finance Program (FEFP) payments. The administrative expense is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. The administrative fee is calculated on the FEFP revenue up to 250 students.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey period. The FDOE may also adjust subsequent fiscal period allocations based on an audit of the School's compliance in determining and reporting FTE and related data. Generally, such adjustments are treated as reductions or additions of revenues in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is calculated based on (1) unweighted FTE, multiplied by (2) the cost factor for each program multiplied by (3) the base student allocation established by the Florida legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the year ended June 30, 2022, the School reported 946 unweighted FTE.

The School received additional funding under other federal and state grants. This assistance is generally received based on applications submitted to various granting agencies. For federal and state grants in which funding is awarded based on incurring eligible expenditures, revenue is recognized as the amount of eligible expenditures have been incurred. During fiscal year 2022,

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the School was awarded two federal grants. The first grant reimbursed allowable food expenditures and the second grant reimbursed for specific allowable expenditures related to COVID relief.

**Use of Estimates**

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

**Recently Issued Accounting Pronouncements**

In June 2017, the GASB issued Statement No. 87, *Leases*. This pronouncement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this pronouncement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about a school's leasing activities. The cumulative effect of any changes implemented to conform to this pronouncement would be reported as a restatement of beginning net position and fund balance. The original effective implementation date was June 30, 2021. However, GASB Statement No. 95 postponed the implementation of this statement to be effective for reporting periods beginning after June 15, 2021. Therefore, management's adoption of this Statement did not result in any adjustments to the prior year's financial statements as the School is not currently engaged in leasing activities.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement would now require interest costs incurred before the end of construction period to be recognized as an expense in the period in which the cost is incurred under the economic resource measurement focus. The effective implementation date is June 30, 2022. The school completed construction in the current year and expensed interest costs associated with the construction period in accordance with this Statement.

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**2 FAIR VALUE MEASUREMENTS**

Accounting principles generally accepted in the United States (GAAP) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

*Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

*Level 2:* Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

*Level 3:* Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable level 1 or 2 inputs are not available.

This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School's significant financial instruments are cash, accounts receivable, accounts payable, short term borrowings, and other short term assets and liabilities. For these financial instruments (level 1), carrying values approximate fair value because of the short maturity of these instruments.



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**3 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Capital assets:</b>				
Land	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Land improvements	-	12,000	-	12,000
Construction in progress	3,766,698	-	(3,766,698)	-
Buildings	-	14,518,161	-	14,518,161
Furniture, fixtures and equipment	48,771	807,146	-	855,917
Total capital assets	8,815,469	15,337,307	(3,766,698)	20,386,078
<b>Accumulated depreciation:</b>				
Buildings	-	362,954	-	362,954
Furniture, fixtures and equipment	536	148,412	-	148,948
Total accumulated depreciation	536	511,366	-	511,902
Capital assets, net	\$ 8,814,933	\$ 14,825,941	\$ (3,766,698)	\$ 19,874,176
<b>Depreciation expense:</b>				
Instruction		\$ -		
Administration		121,042		
Food service		7,901		
Operation of plant		382,423		
Total governmental activities depreciation expense		\$ 511,366		

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**4 LONG-TERM LIABILITIES**

The School's long-term note payables as described below:

In January 2021, the School entered into a loan agreement with Florida Development Finance Corporation, ("Agency"). The Agency has agreed to issue bonds, ("Series 2021A, Series 2021B and Series 2021C") in the aggregate amount of \$24,680,000 for the Phoenix Education Network Inc., d/b/a Naples Classical Academy, Inc. Project, ("The Project"). The Series 2021 project consist of the construction of an educational facility to be used by the School. The loan agreement was funded by the issuance of:

Series 2021A Bond - principal balance of \$17,550,000, accrues interest at 6.5% and matures June 2055. Annual principal redemption payments commence June 2031 at \$55,000 with principal escalation every year through maturity.	\$ 17,550,000
Series 2021B Bond - principal balance of \$5,600,000, accrues interest at 7.5% and matures June 2055. Annual principal redemption payments commence June 2031 at \$55,000 with principal escalation every year through maturity.	5,600,000
Series 2021C Bond - principal balance of \$1,530,000, accrues interest at 8.25% and matures June 2031. Annual principal redemption payments commence June 2026 at \$255,000 with principal escalation every year through maturity.	1,530,000
Unsecured note payable – principal balance of \$100,000, accrues interest at 6.25% and matures September 2025. Interest only payments are due quarterly with the principal amount paid in full on the maturity date.	100,000
Unsecured note payable – principal balance of \$100,000, accrues interest at 6.25% and matures October 2025. Interest only payments are due quarterly with the principal amount paid in full on the maturity date.	100,000

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Unsecured note payable – principal balance of \$100,000, accrues interest at 6.25% and matures April 2026. Interest only payments are due quarterly with the principal amount paid in full on the maturity date.	100,000
Unsecured note payable – principal balance of \$100,000, accrues interest at 6.25% and matures June 2026. Interest only payments are due quarterly with the principal amount paid in full on the maturity date.	100,000
Unsecured note payable – principal balance of \$200,000, accrues interest at 6.25% and matures June 2026. Interest only payments are due quarterly with the principal amount paid in full on the maturity date.	<u>200,000</u>
	<u>\$ 25,280,000</u>

The following is a summary of changes in the notes payable for the year ended June 30, 2022:

Balance outstanding at the beginning of the year	\$ 25,280,000
Additions	-
Reductions	-
Balance outstanding at the end of the year	<u>\$ 25,280,000</u>

**Bond payable**

In January 2021, the School entered into a loan agreement with Florida Development Finance Corporation to issue bonds as described above. The \$24,680,000 of bonds were issued with a \$1,727,600 discount which is being amortized using the straight line method over the bond term of 34.5 years. Amortization of the discount increases interest expense and reduces bond discount on the statement of net position. Interest expense for fiscal year 2022 related to bond discount amortization totaled approximately \$50,000, leaving a balance of \$1,656,391 for the year ended June 30, 2022. The bond has covenants to maintain a 1.2 debt service coverage ratio and for the period ending June 30, 2022 to have a minimum of 15 days cash on hand. At June 30, 2022, the School has a debt service coverage ratio of approximately 1.52 and 52.38 days cash on hand.

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Future debt service related to the long-term liabilities is as follows as of June 30, 2022:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 1,724,474	\$ 1,724,474
2024	-	1,724,474	1,724,474
2025	-	1,724,474	1,724,474
2026	855,000	1,714,578	2,569,578
2027	275,000	1,665,928	1,940,928
2028-2032	1,760,000	7,953,124	9,713,124
2033-2037	2,485,000	7,235,650	9,720,650
2038-2042	3,435,000	6,280,884	9,715,884
2043-2047	4,760,000	4,957,200	9,717,200
2048-2053	6,590,000	3,121,852	9,711,852
2044-2055	5,120,000	707,076	5,827,076
Total	<u>\$ 25,280,000</u>	<u>\$ 38,809,714</u>	<u>\$ 64,089,714</u>

**5 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

**District School Board of Collier County, Florida:**

Florida Education Finance Program	\$ 4,598,660
Discretionary local effort	1,469,671
Class size reduction	990,537
Referendum – Capital	730,511
Capital outlay	500,679
Supplemental academic instruction	213,473
Teacher salary increase allocation	188,659
ESE guaranteed allocation	142,350
Instructional materials	75,096
Safe schools	14,063
Reading allocation	41,819
Mental health assistance	38,428
Additional student reserve allocation	20,878
Teacher lead	8,100
Digital classroom allocation	2,221
Total	<u>\$ 9,035,145</u>

The administrative fee paid to the School Board during the year ended June 30, 2022 totaled approximately \$112,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund – governmental funds.

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**6 CONTRACTED SERVICE FEES PAYABLE**

The School entered into a contractual agreement on November 14, 2019 with Optima Foundation, Inc. (“Service Provider”), a Florida non-profit corporation to provide consulting and administrative services to the School. The term of the agreement shall continue for a term that is concurrent with the term of the Charter contract. Under the terms of the agreement, the School shall pay a monthly service fee to the Service provider of twelve percent (12%) of the School’s qualified gross revenues as defined by the agreement. Qualified gross revenues include various state, federal and local source revenues with certain exceptions.

In return for the fees, Optima Foundation shall be responsible for personnel oversight, facility operation and maintenance, finance and marketing functions of the School.

For the year ended June 30, 2022, the Service Provider provided to the School its resources and management services as outlined in the contract. The School incurred service fees of \$1.24 million that are reflected as a school administration expense/expenditure in the accompanying statements of activities and statement of revenues, expenditures and changes in fund balances-governmental funds. Approximately \$588,000 service fees payable is outstanding at the end of the year.

**7 RISK MANAGEMENT PROGRAM**

Workers’ compensation coverage, health and hospitalization, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

**8 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

The School participates in state and federal 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 receivable at year end may be impaired.

Management believes there are no significant contingent 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.

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**Legal matters**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. If necessary, the School retains legal representation to address any such legal matters or proceedings. In the opinion of management and the School, if there are ongoing legal actions or proceedings, the ultimate resolution of such legal matters should not have a significant adverse effect on the accompanying financial statements.

**9 INCOME TAXES**

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income taxes. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements.

**10 SUBSEQUENT EVENTS**

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through November 15, 2022 which is the date the financial statements were available to be issued.

Management continues to evaluate the ongoing impact of the COVID-19 pandemic on the industry. The School has concluded that it is reasonably possible that the ongoing pandemic could have a negative impact on its financial position and results of operations, however, any possible impact is not readily determinable as of the date of these financial statements. The School has not recognized any provisions for possible ongoing impact in these financial statements.

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**Required Supplementary Information**

**Budgetary Comparison Schedule - General Fund**

**For the Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State and local sources	\$ 7,930,237	\$ 7,930,237	\$ 8,534,466	\$ 604,229
Contributions and other revenue	345,846	345,846	358,539	12,693
Total revenues	<u>8,276,083</u>	<u>8,276,083</u>	<u>8,893,005</u>	<u>616,922</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	4,871,446	4,871,446	4,633,682	(237,764)
Pupil personnel services	181,779	181,779	92,747	(89,032)
Instructional staff training	42,630	42,630	6,860	(35,770)
Board	71,050	71,050	3,899	(67,151)
General administration	672,624	672,624	1,349,530	676,906
School administration	1,603,710	1,603,710	1,836,184	232,474
Facilities acquisition	19,031	19,031	-	(19,031)
Food services	102,627	102,627	-	(102,627)
Transportation	233,856	233,856	91,380	(142,476)
Operation of plant	541,598	541,598	434,049	(107,549)
Maintenance of plant	7,410	7,410	15,651	8,241
Community services	27,518	27,518	98,745	71,227
Total expenditures	<u>8,375,279</u>	<u>8,375,279</u>	<u>8,562,727</u>	<u>187,448</u>
Excess (deficiency) of revenue over expenditures	<u>(99,196)</u>	<u>(99,196)</u>	<u>330,278</u>	<u>429,474</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfer in	-	-	177,419	177,419
Operating transfer out	-	-	(269,093)	(269,093)
Total other financing sources	<u>-</u>	<u>-</u>	<u>(91,674)</u>	<u>(91,674)</u>
Net change in fund balance	(99,196)	(99,196)	238,604	337,800
Fund balance at beginning of year	199,074	199,074	199,074	-
Fund balance at end of year	<u>\$ 99,878</u>	<u>\$ 99,878</u>	<u>\$ 437,678</u>	<u>\$ 337,800</u>

See report of independent auditors.

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**Budgetary Comparison Schedule - Special Revenue Fund**

**For the Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal sources passed through local school district	201,345	201,345	1,105,875	904,530
Total revenues	<u>201,345</u>	<u>201,345</u>	<u>1,105,875</u>	<u>904,530</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	-	-	279,692	279,692
Pupil personnel services	-	-	93,776	93,776
Instructional staff training	-	-	-	-
Board	-	-	-	-
General administration	-	-	6,750	6,750
School administration	-	-	-	-
Fiscal services	-	-	-	-
Food services	201,345	201,345	452,920	251,575
Transportation	-	-	-	-
Operation of plant	-	-	-	-
Maintenance of plant	-	-	-	-
Community services	-	-	-	-
Total expenditures	<u>201,345</u>	<u>201,345</u>	<u>833,138</u>	<u>631,793</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>-</u>	<u>272,737</u>	<u>272,737</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfer in	-	-	-	-
Operating transfer out	-	-	(177,419)	(177,419)
Total other financing sources	<u>-</u>	<u>-</u>	<u>(177,419)</u>	<u>(177,419)</u>
Net change in fund balance	-	-	95,318	95,318
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,318</u>	<u>\$ 95,318</u>

See report of independent auditors.



**PHOENIX EDUCATION NETWORK, INC  
d/b/a NAPLES CLASSICAL ACADEMY**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Schedule of Expenditure of Federal Awards**

**For the Year Ended June 30, 2022**

<b>Federal Grantor / Pass-through Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant Period</b>	<b>Total Actual Expenditures</b>
United States Department of Agriculture / Florida Department of Agriculture / National School Lunch Program	10.555	7/1/21 - 6/30/22	\$ 521,571
United States Department of Agriculture / Florida Department of Agriculture / School Breakfast Program Total Food Program Cluster	10.553	7/1/21 - 6/30/22	<u>108,768</u> 983,633
United States Department of Education / Florida Department of Education / Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act / Elementary and Secondary Emergency Relief (ESSER)	84.425D	7/1/21 - 6/30/22	<u>475,536</u>
Total Federal Award Expenditures			<u><u>\$ 1,459,169</u></u>

See report of independent auditors.

**PHOENIX EDUCATION NETWORK, INC.  
d/b/a NAPLES CLASSICAL ACADEMY**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Notes to the Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2022**

**1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activities of the Organization during its fiscal year July 1, 2021 through June 30, 2022. The information in this schedule is presented in accordance with the requirements of *Uniform guidance*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*.

**3 DE MINIMIS INDIRECT COST RATE**

The auditee used actual costs and did not elect to use the 10% indirect cost rate.



McCRAZY & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

**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 of Phoenix Education Network Inc.,  
d/b/a Naples Classical Academy  
A Charter School and Component Unit of the District  
School Board of Collier County, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Phoenix Education Network, Inc. d/b/a Naples Classical Academy (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 15, 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.

*McCrary & Associates, PLLC*

Altamonte Springs, Florida  
November 15, 2022

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McCRAZY & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance**

To the Board of Directors of Phoenix Education Network, Inc,  
d/b/a Naples Classical Academy  
a Charter School and Component Unit of the District School Board of Collier County, Florida

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Phoenix Education Network Inc., dba Naples Classical Academy (the 'School') compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of The School's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The School's federal programs.

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The School's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*McCrady & Associates, PLLC*

Altamonte Springs, Florida  
November 15, 2022

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**PHOENIX EDUCATION NETWORK, INC.  
d/b/a NAPLES CLASSICAL ACADEMY**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Schedule of Findings and Questioned Costs**

**For the Year Ended June 30, 2022**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s restated report issued: Unmodified

Internal Control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

*Federal Awards*

Internal control over major programs:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None noted

Type of auditor report issued on compliance for major programs? Unmodified

Any Audit findings that are required to be reported in accordance with section CFR 200.516 (a)? No

Identification of major programs:

<u>CFDA Number</u>	<u>Grant Period</u>	<u>Name of Federal Program</u>
10.553	7/1/21 – 6/30/22	School Breakfast Program
10.555	7/1/21 – 6/30/22	National School Lunch Program
84.425D	7/1/21 – 6/30/22	Elementary and Secondary School Emergency Relief (ESSER)

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Qualified as a low-risk auditee? No

**Additional Information Required by  
Rules of the Auditor General,  
Chapter 10.850, *Audits of Charter Schools  
and Similar Entities***





**McCrary & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

**Management Letter as Required by Rules of the Florida Auditor General,  
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of Phoenix Education Network Inc.,  
d/b/a Naples Classical Academy, a Charter School and Component Unit  
of the District School Board of Collier County, Florida

**Report on the Financial Statements**

We have audited the financial statements of Phoenix Education Network, Inc., d/b/a Naples Classical Academy (the "School") as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated November 15, 2022.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, if applicable, which is dated, November 15, 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 prior year audit report.

**Official Title**

Section 10.854(1)(e)5. Rules of the Auditor General, requires the name or official title of the entity be disclosed in this management letter. The official title of the entity is Phoenix Education Network Inc., d/b/a Naples Classical Academy. The School code is 9039.

**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 Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

### **Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address 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 note such findings nor did the school or management represent such findings.

### **Purpose of this Letter**

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

*McCrary & Associates, PLLC*

Altamonte Springs, Florida  
November 15, 2022

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