

PALM BAY ACADEMY, INC.
(A Component unit of the
School Board of Brevard County, Florida)

BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Palm Bay Academy, Inc.
Palm Bay, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Palm Bay Academy, Inc. (the "School") a component unit of the School Board of Brevard County, Florida (the "District"), 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 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 *Governmental 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 *Governmental 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 *Governmental 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 (reference table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated August 29, 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 *Governmental Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Prior Period Adjustment

As discussed in Note J to the financial statements, beginning net position balance has increased by \$201,434 because of the correction of an error in payroll expenses related to the payroll accrual in the prior year. In addition, the fund balance in the governmental funds increased by \$201,398 due to payroll expenditure related to the payroll accrual and a change in depreciation expense in prior year. Lastly, there was a \$0 net effect of depreciation and amortization of leases and payment of lease liabilities caused by the implementation of Governmental Accounting Standard Board (GASB) 87 during the year.

Emphasis of Matters

As discussed in Note I to the financial statements, effective June 30, 2022, the County adopted the provisions of GASB 87, Leases. Our opinions are not modified with respect to this matter.

 McDonald CPA Solutions, PA

August 29, 2022
Rockledge, Florida

Management's Discussion and Analysis

As management of Palm Bay Academy, Inc.(the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2022 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Since the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the Basic Financial Statements found listed on the table of contents.

Financial Highlights

The liabilities of the School exceeded its assets and deferred outflows resulting in a net deficit, at the close of the fiscal year of \$2,775,207.

The School's total net position decreased by \$187,603.

As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$3,086,530.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,351,209.

Overview of the Basic 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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the School's assets, liabilities, and deferred outflows/inflows of resources with the difference 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 most recent fiscal 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 funding and earned but unused vacation leave).

Government-wide Financial Statements (continued) Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the School Board of Brevard County, Florida. The School Board of Brevard County, Florida includes the operations of the School in their operational results.

The government-wide financial statements can be found as listed on the table of contents of this report.

Fund Financial Statements. A fund is a collection of related accounts grouped together to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The School maintains several individual government funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The general fund, debt service fund, and capital outlay funds are considered major funds.

The basic governmental fund financial statements can be found in the table of contents of this report.

The School adopts an annual appropriated budget for its funds. A budgetary comparison schedule for required funds and a note to this schedule have been provided to demonstrate compliance with reported budgets and can be found as listed on the table of contents of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the table of contents of this report.

Government-Wide Financial Analysis:

As noted previously, net position may serve over time as a useful indicator of the School's financial position. As of June 30, 2022 and 2021, liabilities exceeded assets and deferred outflows by \$2,775,207 and \$2,587,604 (net deficits), respectively.

The largest portion of the School's net position reflects its net investment in capital assets (e.g., land, buildings and fixed equipment, improvements other than buildings, equipment, furniture and fixtures, educational materials, and motor vehicles), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students: consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2022, the net investment in capital assets depreciating more rapidly than the reduction in debt.

Comparison of the condensed statement of net position and the statement of activities are provided below.

	<u>2022</u>	<u>Restated 2021</u>	<u>Variance</u>
ASSETS			
Current assets	\$ 3,246,566	\$ 3,316,883	\$ (70,317)
Noncurrent assets	6,850,192	7,033,249	(183,057)
Total assets	<u>10,096,758</u>	<u>10,350,132</u>	<u>(253,374)</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,165,625</u>	<u>2,314,125</u>	<u>(148,500)</u>
LIABILITIES			
Current liabilities	503,209	776,961	(273,752)
Noncurrent liabilities	14,534,381	14,474,900	59,481
Total liabilities	<u>15,037,590</u>	<u>15,251,861</u>	<u>(214,271)</u>
NET POSITION			
Net investment in capital assets, net of related debt	(3,721,726)	(3,275,356)	(446,370)
Restricted	1,698,224	1,761,810	(63,586)
Unrestricted	(751,705)	(1,074,058)	322,353
Total net position	<u>\$ (2,775,207)</u>	<u>\$ (2,587,604)</u>	<u>\$ (187,603)</u>

Current assets decrease primarily due to the timing of cash payments to vendor and reduction of restricted cash with fiscal agent for payments to service the debt offset by amounts due from other agencies and timing of collection for restricted cash for lunch program. Noncurrent assets decreased primarily because of depreciation expense offset by current year capital additions. Total liabilities decreased primarily due to the Paycheck Protection Program forgiven in the current fiscal year and restatement in the payroll accrual in prior year resulted in the change. Noncurrent liabilities increased by the issuance of the Economic Injury Disaster Loan offset by current payment of the bonds.

Government-Wide Financial Analysis (continued):

	<u>2022</u>	<u>Restated 2021</u>	<u>Variance</u>
Revenues			
Program revenues			
Operating grants and contributions	\$ 593,071	\$ 569,862	\$ 23,209
Capital grants and contributions	233,529	218,513	15,016
General revenues			
State passed through school district	2,915,257	3,848,014	(932,757)
Other revenues	674,413	487,545	186,868
	<u>\$ 4,416,270</u>	<u>\$ 5,123,934</u>	<u>\$ (707,664)</u>

State revenues that were passed through the school district decreased primarily to the reductions in FTE base funding for class size reduction. Other revenue increased primarily due to the refunds for the Elementary and Secondary School Emergency Relief Funds in the current year.

Expenses:	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Basic instruction	\$ 1,690,991	1,766,194	\$ (75,203)
Exceptional instruction	114,993	132,097	(17,104)
Athletic program	-	93	(93)
Psychological services	2,500	-	2,500
Other instruction	965	-	965
Media services	5,563	24,362	(18,799)
Curriculum development	6,739	5,331	1,408
Instructional staff training	5,586	970	4,616
Instructional staff technology	5,826	122,942	(117,116)
Board of directors	29,567	24,621	4,946
School administration	682,335	649,636	32,699
Facilities	263,186	261,746	1,440
Fiscal services	103,233	83,750	19,483
Food services	284,799	231,645	53,154
Information services	6,786	4,389	2,397
Internal services	109,858	51,742	58,116
Transportation	153,125	149,606	3,519
Operation of plant	405,223	270,321	134,902
Maintenance of plant	26,324	25,926	398
Interest and amortization expense	706,274	683,794	22,480
	<u>4,603,873</u>	<u>4,489,165</u>	<u>114,707</u>
Changes in net position	(187,603)	634,769	(822,372)
Net position, beginning	(2,789,038)	(3,423,807)	634,769
Prior period adjustment	201,434	201,434	-
Net position, restated	<u>(2,587,604)</u>	<u>(3,222,373)</u>	<u>634,769</u>
Net position at end of fiscal year	<u>\$ (2,775,207)</u>	<u>\$ (2,587,604)</u>	<u>\$ (187,603)</u>

Basic instruction decreased mainly because of reduction in payroll and related costs. Instructional staff technology decreased due to the decrease in computer supplies purchased. Food services increased due to increases in salaries and food purchases. Internal service increased due to internal service cost during the year. Operation of plant increased mainly due the purchases of material and supplies.

Financial Analysis of the Government's Funds

As noted previously, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned und balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the current fiscal year, the School's governmental funds reported combined ending fund balanced of \$3,086,530.

The general fund is the main operating fund of the School. At the end of the current fiscal year, the unassigned fund balance of the general fund was positive \$1,351,209.

The fund balance of the School's general fund decreased by \$198,022 during the current fiscal year.

Budgetary Highlights

Actual general fund revenues were equal to the budgeted revenues and actual general fund expenditures were equal to budgeted expenditures.

The budgetary information can be found as listed on the table of contents of this report.

Capital Assets and Debt Administration

Capital Assets. The School's investment in capital assets for its governmental type activities as of June 30, 2022, amounts to \$6,826,690 (net of related depreciation). The school made new capital purchases in 2022. Additional information on the School's capital assets can be found in Note C.

Debt Administration. The School's long-term bond liabilities at June 30, 2022 totaled \$14,325,000. The School restructured its bonds in February 2017. The Series 2006 and Series 2007 Bonds were modified and reissued by the Florida Development Finance Corporation. Additional information on the School's long-term obligations can be found in Note D.

Economic Factors. A majority of the School's funding is determined by the number of enrolled students. The greater Palm Bay, Florida area is seeing an increase in commercial and residential development. The School operated as a C rated school during fiscal year 2022. The overall student population is forecasted to increase from 353 in fiscal year 2022 to 390 in fiscal year 2023.

Contacting the School's Financial Management. This financial report is designed to provide a general overview of Palm Bay Academy, Inc.'s finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Palm Bay Academy, Inc., 2112 Palm Bay Road NE, Palm Bay, Florida 32905.

PALM BAY ACADEMY, INC.
(A Component Unit of the School Board of Brevard County, Florida)
STATEMENT OF NET POSITION
For the Year Ended June 30, 2022

ASSETS

CURRENT ASSETS

Cash and equivalents	\$ 1,395,689
Due from other agencies	151,453
Prepays	1,200
Restricted cash for lunch program	87,265
Restricted cash with fiscal agent	<u>1,610,959</u>
Total current assets	<u>3,246,566</u>

CAPITAL ASSETS

Capital assets not being depreciated:	
Land	1,711,383
Capital assets, net of accumulated depreciation:	
Building and fixed equipment	5,025,160
Improvements other than building	18,668
Equipment	58,175
Furniture and fixtures	12,932
Motor vehicles	<u>372</u>
Total capital assets, net	6,826,690

NONCURRENT ASSETS

Right-of-use assets, net	<u>23,502</u>
Total Noncurrent assets	<u>6,850,192</u>
Total assets	<u>10,096,758</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred change on refunding	<u>2,165,625</u>
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LIABILITIES AND NET POSITION

LIABILITIES

Accounts payable	\$ 6,675
Accrued payroll	153,361
Long-term debt	
Due within one year:	
Lease liabilities	16,888
Bond payable	310,000
Accrued interest payable	16,285
Due in more than one year:	
Lease liabilities	19,481
Bond payable	14,015,000
Economic injury disaster loan payable	<u>499,900</u>
Total liabilities	<u>15,037,590</u>

NET POSITION

Net investment in capital assets, net of related debt	(3,721,726)
Restricted for:	
Debt service	1,610,959
Lunch program	87,265
Unrestricted	<u>(751,705)</u>
Total net position	<u>\$ (2,775,207)</u>

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

PALM BAY ACADEMY, INC.
(A Component Unit of the School Board of Brevard County, Florida)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Basic instruction	\$ 1,690,991	\$ -	\$ 197,778	\$ -	\$ (1,493,213)
Exceptional instruction	114,993	-	-	-	(114,993)
Psychological services	2,500	-	-	-	(2,500)
Other instruction	965	-	-	-	(965)
Media services	5,563	-	-	-	(5,563)
Curriculum development	6,739	-	-	-	(6,739)
Instructional staff training	5,586	-	-	-	(5,586)
Instructional staff technology	5,826	-	-	-	(5,826)
Board of directors	29,567	-	-	-	(29,567)
School administration	682,335	-	-	-	(682,335)
Facilities	263,186	-	-	-	(263,186)
Fiscal services	103,233	-	-	-	(103,233)
Food services	284,799	-	395,293	-	110,494
Information services	6,786	-	-	-	(6,786)
Internal services	109,858	-	-	-	(109,858)
Transportation	153,125	-	-	-	(153,125)
Operation of plant	405,223	-	-	-	(405,223)
Maintenance of plant	26,324	-	-	-	(26,324)
Interest and amortization expense	706,274	-	-	233,529	(472,745)
	<u>\$ 4,603,873</u>	<u>\$ -</u>	<u>\$ 593,071</u>	<u>\$ 233,529</u>	<u>\$ (3,777,273)</u>

General revenues:	
State passed through local school district	2,915,257
Other revenues	674,413
Total general revenues	<u>3,589,670</u>
Change in net position	(187,603)
Net position (deficit) at July 1, 2021, beginning	(2,789,038)
Prior period adjustment	201,434
Net position at July 1, 2021, restated	<u>(2,587,604)</u>
Net position at June 30, 2022	<u>\$ (2,775,207)</u>

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

PALM BAY ACADEMY, INC.
(A Component Unit of the School Board of Brevard County, Florida)
BALANCE SHEET – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	Debt Service Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,395,689	\$ -	\$ -	\$ -	\$ 1,395,689
Due from other agencies	151,453	-	-	-	151,453
Prepays	1,200	-	-	-	1,200
Restricted cash with fiscal agent	-	1,610,959	-	87,265	1,698,224
Due from other funds	1,610,959	-	-	35,897	1,646,856
Total assets	\$ 3,159,301	\$ 1,610,959	\$ -	\$ 123,162	\$ 4,893,422
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 6,675	\$ -	\$ -	\$ -	\$ 6,675
Accrued payroll liabilities	153,361	-	-	-	153,361
Due to other funds	35,897	1,610,959	-	-	1,646,856
Total liabilities	195,933	1,610,959	-	-	1,806,892
 FUND BALANCES					
Nonspendable					
Prepays	1,200	-	-	-	1,200
Restricted					
Debt service	1,610,959	-	-	-	1,610,959
Lunch program	-	-	-	123,162	123,162
Unassigned	1,351,209	-	-	-	1,351,209
Total fund balances	2,963,368	-	-	123,162	3,086,530
Total liabilities and fund balances	\$ 3,159,301	\$ 1,610,959	\$ -	\$ 123,162	\$ 4,893,422

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

PALM BAY ACADEMY, INC.
(A Component Unit of the School Board of Brevard County, Florida)
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION
For the Year Ended June 30, 2022

Total Fund balance - Governmental Funds	\$	3,086,530
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The net position reported for governmental activities in the statement of net position is different because:

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

Land	1,711,383	
Building and fixed equipment, net	5,025,160	
Improvements other than buildings, net	18,668	
Equipment, net	58,175	
Furniture and fixtures, net	12,932	
Motor vehicles, net	372	
Total capital assets		6,826,690

Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		23,502
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Deferred outflows are not current assets or financial resources and are therefore not reported in the governmental funds.		
Deferred charges on refunding		2,165,625

Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Lease liabilities		(36,369)
Economic injury disaster loan payable, including accrued interest		(516,185)
Bonds payable		(14,325,000)

Net Position of Governmental Activities	\$	(2,775,207)
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The accompanying notes are an integral part of this financial statement.

PALM BAY ACADEMY, INC.
(A Component Unit of the School Board of Brevard County, Florida)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	Debt Service	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Federal passed through state	\$ -	\$ -	\$ -	\$ 395,293	\$ 395,293
Federal passed through school district	-	-	-	197,778	197,778
State passed through local school district	2,915,257	-	233,529	-	3,148,786
Other revenues	674,413	-	-	-	674,413
Total revenues	3,589,670	-	233,529	593,071	4,416,270
Expenditures					
Current:					
Basic instruction	1,473,680	-	-	217,311	1,690,991
Exceptional instruction	114,993	-	-	-	114,993
Psychological services	2,500	-	-	-	2,500
Other instruction	965	-	-	-	965
Media services	5,563	-	-	-	5,563
Curriculum development	6,739	-	-	-	6,739
Instructional staff training	1,086	-	-	4,500	5,586
Instructional-related technology	5,826	-	-	-	5,826
Board of directors	29,567	-	-	-	29,567
School administration	650,244	-	-	24,946	675,190
Facilities	63,736	-	-	-	63,736
Fiscal services	55,683	47,550	-	-	103,233
Food services	2,107	-	-	282,692	284,799
Information services	6,786	-	-	-	6,786
Internal services	109,858	-	-	-	109,858
Transportation	153,125	-	-	-	153,125
Operation of plant	406,883	-	-	-	406,883
Maintenance of plant	26,324	-	-	-	26,324
Debt service					
Principal and interest	-	826,489	-	-	826,489
Total expenditures	3,115,665	874,039	-	529,449	4,519,153
Excess (deficiency) of revenues over (under) expenditures	474,005	(874,039)	233,529	63,622	(102,883)
Other financing sources and (uses)					
Proceeds from loans	350,000	-	-	-	350,000
Proceeds from capital leases	14,527	-	-	-	14,527
Transfers in	-	874,039	-	-	874,039
Transfers out	(640,510)	-	(233,529)	-	(874,039)
Total other financing sources and (uses)	(275,983)	874,039	(233,529)	-	364,527
Net change in fund balance	198,022	-	-	63,622	261,644
Fund balances at July 1, 2021, beginning	2,563,948	-	-	59,540	2,623,488
Prior period adjustment	201,398	-	-	-	201,398
Fund balances at July 1, 2021, restated	2,765,346	-	-	59,540	2,824,886
Fund balances at June 30, 2022	\$ 2,963,368	\$ -	\$ -	\$ 123,162	\$ 3,086,530

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

PALM BAY ACADEMY, INC.
(A Component Unit of the School Board of Brevard County, Florida)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Net Change in Fund Balances - Governmental Funds \$ 261,644

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets increased net position.

Capital outlay	60,499	
Provision for depreciation	(267,058)	(206,559)

The issuance of long-term debt or leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt or lease is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Proceeds from issuance of Economic Injury Disaster Loan	(350,000)	
Proceeds from capital leases	(14,527)	
Payment of interest expense	(16,321)	
Payment of bond principal	285,000	(95,848)

Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in the funds.

Amortization of deferred charge on refunding		(148,500)
Amortization of the right-of-use asset		(13,858)

Some expenses reported in governmental funds are to be reported in a long-term basis; therefore are not reported in the Statement of Activities.

Payment of lease principal		<u>15,518</u>
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Change in Net Position - Governmental Activities		<u><u>\$ (187,603)</u></u>
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The accompanying notes are an integral part of this financial statement.

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Palm Bay Academy, Inc. is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors, which is composed of four members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School Board of Brevard County, Florida (the "District"). The current charter was renewed on April 23, 2013 and will expire on June 30, 2027. Palm Bay Academy, Inc. is considered a component unit of the School Board of Brevard County, Florida.

2. Government-wide financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net position, the difference between assets and liabilities, and deferred outflows and deferred inflows of resources, as presented in the statement of net position, are subdivided into three categories: net investment in capital assets, restricted net position, and unrestricted net position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors contributors, or laws of regulations of other governments, or enabling legislation. Unrestricted net position includes all the remaining net position that does not meet the definition of the other two components.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function.

Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide financial statements (continued)

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. The School reports the general fund, debt service fund, and capital outlay fund as major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using the current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as an expenditure only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation
(continued)

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund – is the general operating fund of the School and is used to account for all financial resources not required to be accounted for in another fund.

Debt Service Fund – this fund accounts for the resources accumulated and payments made for principal and interest on the bonds issued by the School.

Capital Outlay Fund – to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

4. Cash and cash equivalents

The School's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

5. Receivables

The School's receivables consist of amounts that are due from other government agencies. Based on prior experience the School's management considers that 100% of receivables are fully collectible. Therefore, an allowance for doubtful accounts has been provided.

6. Interfund receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/due from other funds.

Transfers are used to move unrestricted fund revenues to finance programs and debt service activities that the School must account for in other funds.

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Capital assets

Capital assets are reported in the governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$750 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and equipment	5-40
Improvements other than building	10
Equipment	3-15
Furniture and fixtures	5-7
Educational materials	5-7
Motor vehicles	5

8. Deferred outflows of resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The School has one item that qualifies for reporting in this category which is the deferred charge on refunding. The deferred charge on refunding resulted from the difference in the carrying value of the refunded debt and its reacquisition price and it will be amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

9. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and the repayment of debt as debt service expenditures. Loan costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey period.

In addition, the School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirement whereby the issuance of grant funds is withheld until qualifying eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues are generally derived from various fundraising activities and other miscellaneous revenues.

11. Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all of its tax positions are more likely than not to be sustained upon examination.

The School files Form 990 in the U.S, federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service three years after a return was due or filed.

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

13. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance – amounts that are not spendable (such as inventory and prepaid expense) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the School intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose. No other fund except the General Fund can report positive amounts of unassigned fund balance.

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE B – CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the School’s deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The deposits are insured by the FDIC up to \$250,000 per financial institution. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes. As of June 30, 2022, \$1,111,455 of the School’s funds held in banks were exposed to custodial credit risk.

Credit Risk – Credit risk arises from the potential default of investments that are not financially sound. In connection with the issuance of debt discussed in Note D, the School was required to deposit part of the proceeds and other required deposits with the trustee. At June 30, 2022, the trustee held \$1,610,959 of unspent bond proceeds and reserve funds in money market accounts. The deposits are restricted for debt payments. The trust indenture addresses credit risk by only permitting the trustee to invest in qualified investments as defined in the indenture.

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE C - CAPITAL ASSETS AND DEPRECIATION

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets, not depreciated				
Land	\$ 1,711,383	\$ -	\$ -	\$ 1,711,383
Construction in progress	-	-	-	-
Total capital assets, not depreciated	<u>1,711,383</u>	<u>-</u>	<u>-</u>	<u>1,711,383</u>
Capital assets depreciated:				
Building and equipment	8,739,837	-	-	8,739,837
Improvements other than building	110,108	15,288	-	125,396
Equipment	529,249	30,684	-	559,933
Furniture and fixtures	102,769	14,527	-	117,296
Educational materials	20,134	-	-	20,134
Motor vehicles	23,168	-	-	23,168
Total capital assets depreciated	<u>9,525,265</u>	<u>60,499</u>	<u>-</u>	<u>9,585,764</u>
Less accumulated depreciation:				
Building and equipment	3,476,467	238,210	-	3,714,677
Improvements other than building	103,411	3,317	-	106,728
Equipment	478,794	22,964	-	501,758
Furniture and fixtures	102,541	1,823	-	104,364
Educational materials	20,134	-	-	20,134
Motor vehicles	22,052	744	-	22,796
Total accumulated depreciation	<u>4,203,399</u>	<u>267,058</u>	<u>-</u>	<u>4,470,457</u>
Total capital assets, net	<u>\$ 7,033,249</u>	<u>\$ (206,559)</u>	<u>\$ -</u>	<u>\$ 6,826,690</u>

Depreciation expense for the year ended June 30, 2022 was charged to functions of the School as follows:

School administration	\$ 259,913
Facilities	<u>7,145</u>
	<u>\$ 267,058</u>

On December 7, 2021, the School entered into a capital lease for a phone system. The School has recorded the capital asset at a present value of \$14,527 and is depreciating the asset over a five year life. In addition, the School has recorded a lease liability of \$14,527 in the Statement of Net Position and has recorded an expenditure and proceeds in the amount of \$14,527 in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (See Note I).

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE D - LONG-TERM LIABILITIES

1. Changes in long-term liabilities

The following is a summary of changes in long-term obligations of the School for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due in 1 year
Revenue bonds:					
Series 2017A	\$ 7,265,000	\$ -	\$ 285,000	\$ 6,980,000	\$ 310,000
Series 2017B	735,000	-	-	735,000	-
Series 2017C	3,290,000	-	-	3,290,000	-
Series 2017D	350,000	-	-	350,000	-
Series 2017E	2,610,000	-	-	2,610,000	-
Series 2017F	360,000	-	-	360,000	-
Total bond payable	14,610,000	-	285,000	14,325,000	310,000
Economic injury disaster loan	149,900	350,000	-	499,900	-
	<u>\$ 14,759,900</u>	<u>\$ 350,000</u>	<u>\$ 285,000</u>	<u>\$ 14,824,900</u>	<u>\$ 310,000</u>

2. Bonds payable

As a result of the School's inability to pay principal and interest as due on the previous bond issues, the School entered into a forbearance agreement ("the agreement") with the Trustee on May 15, 2014. The agreement was amended on June 15, 2015 and granted the School forbearance and relief through February 28, 2017.

On February 28, 2017, the previous bond issues were modified and reissued by Florida Development Finance Corporation into six subseries as presented in the table above.

In addition, the obligations of the School with respect to the bonds relating to the Secondary Subordinate Lien Bonds (Series 2017E and Series 2017F) will be deemed paid and discharged on July 15, 2022 as follows: two-thirds of a percentage of the bonds relating to the Secondary Subordinate Lien Bonds shall be deemed paid and discharged by the Trustee, which percentage shall equal the percentage on the principal amount of bonds relating to the Subordinate Lien Bonds (Series 2017C and Series 2017D) paid as of such date.

This agreement further requires the School to meet certain additional conditions. The School shall maintain cash on hand June 30 equal to at least 60 days as measured on June 30, 2022 and the last day of each fiscal quarter thereafter.

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE D - LONG-TERM LIABILITIES (continued)

2. Bonds payable (continued)

On a quarterly basis, the School shall report a Debt Service Coverage Ratio based on the immediate prior four fiscal quarters of no less than 1.00. As of June 30, 2022, the School was in compliance with the Debt Service Coverage Ratios at 1.18.

The following is a schedule of future minimum payments for the Tax-Exempt Senior Lien Revenue Bonds Series 2017A and the Taxable Senior Lien Revenue Bonds Series 2017B based on the new bond agreement for the years ending:

June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 310,000	\$ 503,644	\$ 813,644
2024	340,000	475,744	815,744
2025	365,000	450,394	815,394
2026	390,000	427,125	817,125
2027	415,000	405,468	820,468
2028-2032	2,500,000	1,649,948	4,149,948
2033-2037	3,395,000	602,640	3,997,640
	<u>\$ 7,715,000</u>	<u>\$ 4,514,963</u>	<u>\$ 12,229,963</u>

The following is a schedule of future minimum payments for the Tax-Exempt Subordinate Lien Revenue Bonds Series 2017C and the Taxable Subordinate Lien Revenue Bonds Series 2017D based on the bond agreement for the years ending:

June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2037	\$ 3,640,000	\$ 3,752,445	\$ 7,392,445

The following is a schedule of future minimum payments for the Tax-Exempt Secondary Subordinate Lien Revenue Bonds Service 2017E and the Taxable Secondary Subordinate Lien Revenue Bonds Series 2017F based on the bond agreement for the years ending:

June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2037	\$ 2,970,000	\$ -	\$ 2,970,000

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE D - LONG-TERM LIABILITIES (continued)

3. Economic injury disaster loan

During the year June 30, 2020, the School obtained an Economic Injury Disaster Loan for \$150,000 from the Small Business Administrations (SBA) for working capital to alleviate economic injury caused by COVID-19. The loan bears interest at 2.75%, and is payable in monthly installments of \$641 that will begin twenty-four months from the date of the promissory note, dated June 23, 2020, and matures in June 2050. The SBA loan is secured by all the tangible and intangible property of the School. On August 21, 2021, the School renegotiated the Economic Injury Disaster Loan to add an additional \$350,000 to the \$149,900 loan for a combined loan of \$499,900 balance. The payment of \$2,210 starts on December 31, 2023 with the original interest and maturity date remaining the same. As of June 30, 2022, the remaining balance of the EIDL loan was \$449,900. The following is a schedule of future minimum payments for the Economic Injury Disaster Loan:

June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 13,775	\$ 13,775
2024	-	13,747	13,747
2025	11,073	13,630	24,703
2026	13,243	13,277	26,520
2027	13,612	12,908	26,520
2028-2032	73,963	58,637	132,600
2033-2037	84,852	47,748	132,600
2038-2042	97,344	35,256	132,600
2043-2047	111,675	20,925	132,600
2048-2050	94,138	4,812	98,950
	<u>\$ 499,900</u>	<u>\$ 234,715</u>	<u>\$ 734,615</u>

NOTE E – INTERFUND ACTIVITY

Activities between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds.

Due to/from activities are as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General fund	\$ 1,610,959	\$ 35,897
Debt service fund	-	1,610,959
Other governmental funds	35,897	-
Totals	<u>\$ 1,646,856</u>	<u>\$ 1,646,856</u>

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE E – INTERFUND ACTIVITY (Continued)

Transfers are used to 1) move unrestricted general fund revenues to finance programs that the School must account for in other funds, 2) move restricted amounts from borrowings to debt service funds to establish mandatory reserve accounts, 3) move unrestricted cash released by fiscal agents, and 4) move amounts from the general fund to the debt service fund as debt service principal and interest payments become due.

Transfer activities are as follows:

	Transfer in	Transfer out
General fund	\$ -	\$ 640,510
Debt service fund	874,039	-
Capital outlay	-	233,529
Totals	\$ 874,039	\$ 874,039

NOTE F – COMMITMENTS AND CONTINGENCIES

1. Legal contingencies

The School may be involved in legal actions arising from the normal course of activities and is also subject to periodic audits and inquiries by various regulatory agencies. Management is not aware of any pending or threatened litigation, claims or unasserted claims or assessments that may have a material effect on the School’s financial statements.

2. Line of Credit

The School maintains a revolving line of credit with Wells Fargo where it may borrow up to \$76,000 of which all was available as of June 30, 2022. Interest is payable monthly and accrues at a daily rate of 0.02739%. As of June 30, 2022, there was no outstanding balance.

3. Paycheck Protection Program

On May 4, 2020, the School received loan proceeds in the amount of \$495,325 under the Paycheck Protection Program (“PPP”). The School received forgiveness for the first PPP in the amount of \$495,325 in May of 2021. On January 25, 2021, the School received a secondary PPP loan in the amount of \$425,245. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE F – COMMITMENTS AND CONTINGENCIES (Continued)

3. Paycheck Protection Program (continued)

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The School used the proceeds for purposes consistent with the PPP. As of June 30, 2022, the School has recognized full forgiveness of the loan in the amount of \$425,245.

NOTE G – CONCENTRATIONS

Revenue sources

As stated in Note A-10, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources:

Source	Amount
School Board of Brevard County:	
Florida education finance program	\$ 1,626,190
Class size reduction	353,677
Discretionary millage	170,596
Supplemental academic instruction funds	94,722
ESE gauranteed allocation	78,890
Transportation	76,310
Teacher salary increase allocation	61,868
Discretionary compression	39,065
Instructional materials allocation	26,165
Safe schools	21,602
Student reserve allocation	20,795
Reading coaches	14,553
Mental health allocation	14,073
Library media alloaction	1,655
Digital classroom	563
Administrative fee	(92,096)
Total State passed through School Board of Brevard County, Florida	2,508,628
Local sales surtax	308,278
Capital outlay	233,529
Title 1 funding	197,778
ESSER II	75,077
ESSER I	26,233
Florida teacher lead	6,255
Total from the School District of Brevard County	3,355,778
Other revenues	674,413
National school lunch program	293,983
	\$ 4,324,174

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE H – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the property insurance policy, the School’s liability is limited to a \$2,500 deductible, per occurrence. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years. There have been no significant reductions in insurance coverage during fiscal year 2022.

NOTE I – LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

1. Lease Liabilities – Right-of-Use

The School entered into leases for copiers for use in the facility and classrooms. The leases are noncancellable 60 month terms. The leases have nonrenewal clauses and the copiers revert to the lessor at the end of the lease. The payment schedule for reducing the lease liabilities is as follows:

Type	Start Date	July 1, 2021	Additions	Interest Paid	Principal Paid	Total	June 30, 2022	Current Portion of Lease Liabilities
Copier	12/7/2021	\$ 37,360	\$ -	\$ 406	\$ 13,858	\$ 14,264	\$ 23,502	\$ 14,040
Totals		<u>\$ 37,360</u>	<u>\$ -</u>	<u>\$ 406</u>	<u>\$ 13,858</u>	<u>\$ 14,264</u>	<u>\$ 23,502</u>	<u>\$ 14,040</u>

2. Right-of-Use Assets

In relationship to the lease liabilities, the School chooses to amortize the lease assets on a straight-line basis. Changes in right of use assets are presented in the table below:

	July 1, 2021	Additions	Decreases	June 30, 2022
<u>Lease Assets</u>				
Copiers	\$ 69,073	\$ -	\$ -	\$ 69,073
Total lease assets, being amortized	<u>69,073</u>	<u>-</u>	<u>-</u>	<u>69,073</u>
Less accumulated amortization:				
Copiers	31,713	13,858	-	45,571
Total accumulated amortization	<u>31,713</u>	<u>13,858</u>	<u>-</u>	<u>45,571</u>
Total lease asset being a mortized, net	<u>\$ 37,360</u>	<u>\$ (13,858)</u>	<u>\$ -</u>	<u>\$ 23,502</u>

Palm Bay Academy, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE I – LEASE LIABILITIES AND RIGHT-OF-USE ASSETS (continued)

3. Lease Liabilities – Capital Lease

On December 7, 2021, the School entered into a capital lease for sixty months with a bargain purchases option of a dollar. The School has recorded the lease at present value of \$14,527 and has a payment of \$250 per month. For the year ended, June 30, 2022, the School made principal payments of \$1,660 and interest payments of \$90. The remaining balance of the capital lease was \$12,867 with a current portion of \$2,848 for the year ended June 30, 2022.

NOTE J - ADJUSTMENT TO BEGINNING NET POSITION

An adjustment to the beginning net position on the Statement of Activities was made to reflect the correction of payroll expense for accruals not being reversed in prior years. The beginning net position balance of (\$2,789,038), as previously reported, has been increased by \$201,434 to a restated beginning net position of (\$2,587,604) on the Statement of Activities, made to reverse the payroll accrual error. In addition, the beginning fund balance on the Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds has been increased by \$201,389 related to the payroll expense for errors in the payroll accrual offset by changes in depreciation expense to restate beginning fund balance of \$2,824,886.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 29, 2022, the date which the financial statements were available for issuance; and has determined that no material event occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PALM BAY ACADEMY, INC.
(A Component Unit of the School Board of Brevard County, Florida)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
State passed through local school district	\$ 2,510,060	\$ 2,915,257	\$ 2,915,257	\$ -
Other revenues	5,950	674,413	674,413	-
Total revenues	2,516,010	3,589,670	3,589,670	-
Expenditures				
Current:				
Basic instruction	1,363,650	1,473,680	1,473,680	-
Exceptional instruction	-	114,993	114,993	-
Psychological services	-	965	965	-
Other instruction	-	2,500	2,500	-
Media services	10,000	5,563	5,563	-
Curriculum development	-	6,739	6,739	-
Instructional staff training	1,800	1,086	1,086	-
Instructional-related technology	-	5,826	5,826	-
Board of directors	15,000	29,567	29,567	-
School administration	321,095	650,244	650,244	-
Facilities	-	63,736	63,736	-
Fiscal services	88,150	55,683	55,683	-
Food services	182,240	2,107	2,107	-
Information services	5,000	6,786	6,786	-
Internal services	1,185	109,858	109,858	-
Transportation	150,000	153,125	153,125	-
Operation of plant	250,500	406,883	406,883	-
Maintenance of plant	19,350	26,324	26,324	-
Total expenditures	2,407,970	3,115,665	3,115,665	-
Excess of revenues over expenditures	108,040	474,005	474,005	-
Other financing sources and (uses)				
Proceed from loans	-	350,000	350,000	-
Proceeds from capital leases	-	14,527	14,527	-
Transfers in (out)	(249,694)	(640,510)	(640,510)	-
Total other financing sources and (uses)	(249,694)	(275,983)	(275,983)	-
Net change in fund balance	(141,654)	198,022	198,022	-
Fund balances at July 1, 2021, restated	2,765,346	2,765,346	2,765,346	-
Fund balances at June 30, 2022	\$ 2,623,692	\$ 2,963,368	\$ 2,963,368	\$ -

See note to required supplementary information.

PALM BAY ACADEMY, INC.
(A Component Unit of the School Board of Brevard County, Florida)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – DEBT SERVICE FUND
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Fiscal services	-	47,550	47,550	-
Debt service	529,294	826,489	826,489	-
Total expenditures	<u>529,294</u>	<u>874,039</u>	<u>874,039</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(529,294)	(874,039)	(874,039)	-
Other financing sources				
Transfers in	529,294	874,039	874,039	-
Total other financing sources and (uses)	<u>529,294</u>	<u>874,039</u>	<u>874,039</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance at July 1, 2021, restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See note to required supplementary information.

PALM BAY ACADEMY, INC.
(A Component Unit of the School Board of Brevard County, Florida)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – CAPITAL OUTLAY FUND
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State passed through local school district	\$ 279,600	\$ 233,529	\$ 233,529	\$ -
Other financial sources (uses)				
Transfer in (out)	(279,600)	(233,529)	(233,529)	-
Net change in fund balance	-	-	-	-
Fund balance at July 1, 2021, restated	-	-	-	-
Fund balance at June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See note to required supplementary information.

PALM BAY ACADEMY, INC.
(A Component Unit of the School Board of Brevard County, Florida)
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general fund and major special revenue fund and may be amended by the Board of Directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2022, have been amended accordingly to Board procedures.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

COMPLIANCE INFORMATION

**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
GOVERNMENTAL AUDITING STANDARDS**

To the Board of Directors
Palm Bay Academy, Inc.
Palm Bay, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Palm Bay Academy, Inc. (the "School") a component unit of the School Board of Brevard County, Florida as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 29 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 *Governmental 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McDonough CPA Solutions, PA

August 29, 2022
Rockledge, Florida

MANAGEMENT LETTER

To the Board of Directors
Palm Bay Academy, Inc.
Palm Bay, Florida

Report on the Financial Statements

We have audited the financial statements of Palm Bay Academy, Inc.(the “School”), a component unit of the School Board of Brevard County, Florida, as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated August 29, 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 *Governmental 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 *Governmental Auditing Standards*. Disclosures in that report, which is dated August 29, 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. In that regard, there are no uncorrected findings to 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 school code assigned by the Florida Department of Education of the entity are Palm Bay Academy, Inc. and 056501

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 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), Florida Statutes.

Additional Matters

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

Purpose of this Letter

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

McDonough CPA Solutions, PA

August 29, 2022
Rockledge, Florida

MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2022, there were no management finding, recommendations or responses.