



Palm Bay Academy, Inc.

W/L #: 6501

(A Charter School and Component Unit of the
District School Board of Brevard County, Florida)

Palm Bay, Florida

Financial Statements and
Independent Auditor's Report

June 30, 2023

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Palm Bay Academy, Inc.
A Charter School and Component Unit of the
District School Board of Brevard County, Florida

W/L #: 6501

2112 Palm Bay Rd. NE
Palm Bay, FL 32905

2022-2023

BOARD OF DIRECTORS

Martha Wolf, Chairman
Brendan Purcell, Vice Chair
Margaret Wilson, Secretary
Jeanne Cunningham, Member

SCHOOL ADMINISTRATION

Madhu Longani, Director of School Operations



INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Palm Bay Academy, Inc., (the "School"), a charter school and component unit of the District School Board of Brevard County, Florida as of, and for the year ended June 30, 2023, 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 and each major fund of the School of as of June 30, 2023, 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 (GAAS) 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 Palm Bay Academy, Inc., 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 Palm Bay Academy, Inc.'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.

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Auditors' 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 5 through 9 and 31 through 32 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 *Government Auditing Standards*, we have also issued our report dated October 13, 2023, 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, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 13, 2023

Management's Discussion and Analysis Palm Bay Academy, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida
June 30, 2023

The corporate officers of Palm Bay Academy, Inc., have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2023.

Financial Highlights

1. The net position of the Charter School at June 30, 2023 was a deficit of \$(3,768,174).
2. At year-end, the School had current assets on hand of \$2,487,550.
3. The net position of the School decreased by \$(992,967) during the year.
4. The unassigned fund balance at year end was \$552,539.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2023 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required 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, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between the four is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the major governmental funds.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Notes to Financial Statements

The notes to the financial statements 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 on pages 16 – 30 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net position was a deficit of \$(3,768,174) at the close of the fiscal year. A summary of the School's net position as of June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 615,056	\$ 1,395,689
Cash, restricted	1,577,535	1,698,224
Prepaid expenses and other assets	72,209	1,200
Due from other agencies	222,750	151,453
Capital and right-of-use assets, net	<u>6,852,119</u>	<u>6,850,192</u>
Total Assets	<u>9,339,669</u>	<u>10,096,758</u>
Deferred Outflows of Resources	<u>2,017,125</u>	<u>2,165,625</u>
Accounts payable and accrued liabilities	202,958	160,036
Accrued interest	94,717	16,285
Line of credit	59,378	-
Lease liabilities	19,481	36,369
Bond payable	14,015,000	14,325,000
Loan Payable	<u>733,434</u>	<u>499,900</u>
Total Liabilities	<u>15,124,968</u>	<u>15,037,590</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Net Position:		
Net investment in capital assets	(7,423,347)	(3,721,726)
Restricted	1,505,749	1,698,224
Unrestricted	<u>2,149,424</u>	<u>(751,705)</u>
Total Net Position	<u>\$ (3,768,174)</u>	<u>\$ (2,775,207)</u>

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2023 and June 30, 2022 follows:

	<u>2023</u>	<u>2022</u>
REVENUES		
Program Revenues		
Federal sources	\$ 640,980	\$ 593,071
Capital grants and contributions	280,708	233,529
General Revenues		
Local sources (FTE and other non specific)	3,025,160	2,915,257
Other revenue	<u>179,402</u>	<u>674,413</u>
Total Revenues	\$ 4,126,250	\$ 4,416,270
EXPENSES		
Instruction	\$ 1,795,128	\$ 1,805,984
Student support services	6,714	3,465
Instructional Media	123,390	5,563
Instruction and Curriculum	5,955	6,739
Instructional staff training	34,786	5,586
Instruction related technology	84	5,826
Board	16,520	29,567
School administration	666,853	682,335
Facilities acquisition	237,295	263,186
Fiscal services	131,281	103,233
Food services	441,791	284,799
Central services	130,217	116,644
Transportation	142,146	153,125
Operation of plant	381,701	405,223
Maintenance of plant	17,367	26,324
Debt service	<u>987,989</u>	<u>706,274</u>
Total Expenses	<u>5,119,217</u>	<u>4,603,873</u>
Change in Net Position	(992,967)	(187,603)
Net Position at Beginning of Year	<u>(2,775,207)</u>	<u>(2,587,604)</u>
Net Position at End of Year	<u>\$ (3,768,174)</u>	<u>\$ (2,775,207)</u>

The School's revenues decreased by \$(290,020) and expenses increased by \$515,344, respectively. The School had a decrease in its net position of \$(992,967) for the year.

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

As noted earlier, 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, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$624,748. The fund balance unassigned and available for spending at the School's discretion is \$552,539. These funds will be available for the School's future ongoing operations.

Capital Assets

The School's investment in capital assets and right of use lease assets as of June 30, 2023 amounts to \$6,852,119 (net of accumulated depreciation and amortization). This investment in capital assets includes land, building, improvements, furniture, fixtures and equipment and right of use lease assets includes computer and copier equipment. As of June 30, 2023, the School had long-term liabilities of associated to its capital assets and right of use assets of \$14,767,915.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School’s fiscal year, the Board of the School adopted an annual budget. A budgetary comparison statement has been provided for the governmental.

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding and other local	\$ 525,000	\$ 525,000	\$ 583,992
Federal sources	546,885	546,885	640,980
General Revenues			
FTE and other nonspecific revenues	2,838,848	2,838,848	2,721,876
Other revenues	10,500	10,500	179,402
Total Revenues	\$ 3,921,233	\$ 3,921,233	\$ 4,126,250
CURRENT EXPENDITURES			
Instruction	\$ 1,532,806	\$ 1,532,806	\$ 1,779,115
Student support services	-	-	6,714
Instructional Media	-	-	123,390
Instruction and Curriculum	-	-	5,955
Instructional staff training	75,891	75,891	34,786
Instruction related technology	-	-	84
Board	15,000	15,000	16,520
School administration	652,976	652,976	663,296
Facilities acquisition	-	-	803
Fiscal services	56,350	56,350	131,281
Food services	298,967	298,967	431,506
Central services	111,060	111,060	130,217
Transportation	155,000	155,000	119,862
Operation of plant	233,277	233,277	372,204
Maintenance of plant	16,100	16,100	17,367
Total Current Expenditures	\$ 3,147,427	\$ 3,147,427	\$ 3,833,100

Requests for Information

This financial report is designed to provide a general overview of the Palm Bay Academy, Inc’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Palm Bay Academy, Inc. 2112 Palm Bay Rd. NE Palm Bay, FL 32905.

PALM BAY ACADEMY, INC.

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

Statement of Net Position

June 30, 2023

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 615,056
Cash and cash equivalents, restricted	1,577,535
Due from other agencies	222,750
Prepaid expenses and other current assets	72,209
Total current assets	<u>2,487,550</u>
Capital assets, net:	
Capital assets, non-depreciable	1,711,383
Capital assets, depreciable	9,885,819
Less: accumulated depreciation	(4,759,887)
Right-of-use lease asset	51,888
Less: accumulated amortization	(37,084)
Total capital assets, net	<u>6,852,119</u>
Total Assets	<u>9,339,669</u>
<u>Deferred Outflows of Resources</u>	
Deferred change on refunding	<u>2,017,125</u>
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	171,786
Accounts payable and accrued expenses	31,172
Accrued interest on bonds	94,717
Bond payable, current	340,000
Lease liabilities, current	12,349
Line of credit	59,378
Note Payable, current	42,532
Total current liabilities	<u>751,934</u>
Notes Payable	690,902
Bond payable	13,675,000
Lease liability	7,132
Total liabilities	<u>15,124,968</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
Net Position:	
Net investment in capital assets	(7,423,347)
Restricted by bonds for:	
Debt service	1,482,818
Lunch program	22,931
Unrestricted	2,149,424
Total Net Position	<u>\$ (3,768,174)</u>

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

PALM BAY ACADEMY, INC.

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

Statement of Activities

For the year ended June 30, 2023

Functions / Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 1,795,128	\$ -	\$ 309,705	\$ -	\$ (1,485,423)
Student support services	6,714	-	-	-	(6,714)
Instructional Media	123,390	-	-	-	(123,390)
Instruction and Curriculum	5,955	-	-	-	(5,955)
Instructional staff training	34,786	-	-	-	(34,786)
Instruction related technology	84	-	-	-	(84)
Board	16,520	-	-	-	(16,520)
School administration	666,853	-	-	-	(666,853)
Facilities acquisition	237,295	-	-	-	(237,295)
Fiscal services	131,281	-	-	-	(131,281)
Food services	441,791	-	331,275	-	(110,516)
Central services	130,217	-	-	-	(130,217)
Transportation	142,146	-	-	-	(142,146)
Operation of plant	381,701	-	-	-	(381,701)
Maintenance of plant	17,367	-	-	-	(17,367)
Debt service	987,989	-	-	280,708	(707,281)
Total governmental activities	5,119,217	-	640,980	280,708	(4,197,529)
General revenues:					
FTE and other nonspecific revenues					3,025,160
Interest and other revenues					179,402
Change in net position					(992,967)
Net position, beginning					(2,775,207)
Net position, ending					\$ (3,768,174)

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

PALMBAY ACADEMY, INC.

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

Balance Sheet - Governmental Funds

June 30, 2023

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Project Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 592,125	\$ -	\$ 22,931	\$ -	\$ 615,056
Cash and cash equivalents, restricted	-	1,577,535	-	-	1,577,535
Prepaid expenses and other current assets	72,209	-	-	-	72,209
Due from other agencies	-	-	183,252	39,498	222,750
Due from fund	222,750	-	-	-	222,750
Total Assets	887,084	1,577,535	206,183	39,498	2,710,300
Deferred Outflows of Resources					
	-	-	-	-	-
<u>Liabilities</u>					
Salaries and wages payable	171,786	-	-	-	171,786
Accounts payable and accrued expenses	31,172	-	-	-	31,172
Accrued interest on bonds	-	94,717	-	-	94,717
Line of credit	59,378	-	-	-	59,378
Due to fund	-	-	183,252	39,498	222,750
Total Liabilities	262,336	94,717	183,252	39,498	579,803
Deferred Inflows of Resources					
	-	-	-	-	-
<u>Fund Balance</u>					
Nonspendable, not in spendable form	72,209	-	-	-	72,209
Restricted	-	1,482,818	22,931	-	1,505,749
Unassigned	552,539	-	-	-	552,539
	624,748	1,482,818	22,931	-	2,130,497
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 887,084	\$ 1,577,535	\$ 206,183	\$ 39,498	\$ 2,710,300

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

PALM BAY ACADEMY, INC.

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

June 30, 2023

Total Fund Balance - Governmental Funds \$ 2,130,497

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

Depreciable and non-depreciable capital assets net of accumulated depreciation and amortization used in governmental activities are not financial resources and therefore are not reported in the fund.

Capital assets, non depreciable	1,711,383	
Capital assets, depreciable	9,885,819	
Less: accumulated depreciation	(4,759,887)	
Right-of-use lease asset	51,888	
Less: accumulated amortization	<u>(37,084)</u>	6,852,119

Deferred outflows are not current assets or financial resources and are therefore not reported in the governmental funds. 2,017,125

Long term liabilities in governmental activities are not due and payable in the current period and therefore, are not reported in the governmental funds. (14,767,915)

Total Net Position - Governmental Activities \$ (3,768,174)

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

PALM BAY ACADEMY, INC.

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

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For the year ended June 30, 2023

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Project Funds	Total Governmental Funds
Revenues:					
State passed through local	\$ 2,721,876	\$ -	\$ -	\$ 303,284	\$ 3,025,160
State capital outlay funding	-	-	-	280,708	280,708
Federal sources	-	-	640,980	-	640,980
Other revenues	179,402	-	-	-	179,402
Total Revenues	2,901,278	-	640,980	583,992	4,126,250
Expenditures:					
Current					
Instruction	1,484,698	-	294,417	-	1,779,115
Student support services	6,714	-	-	-	6,714
Instructional Media	123,390	-	-	-	123,390
Instruction and Curriculum	5,955	-	-	-	5,955
Instructional staff training	34,786	-	-	-	34,786
Instruction related technology	84	-	-	-	84
Board	16,520	-	-	-	16,520
School administration	663,296	-	-	-	663,296
Food services	-	-	431,506	-	431,506
Facilities acquisition	803	-	-	-	803
Fiscal services	131,281	-	-	-	131,281
Central services	130,217	-	-	-	130,217
Transportation	119,862	-	-	-	119,862
Operation of plant	372,204	-	-	-	372,204
Maintenance of plant	17,367	-	-	-	17,367
Capital Outlay:					
Other capital outlay	32,172	-	15,288	252,595	300,055
Debt Service:					
Redemption of Principal	-	350,624	-	11,610	362,234
Interest	-	831,707	-	7,782	839,489
Total Expenditures	3,139,349	1,182,331	741,211	271,987	5,334,878
Excess (deficit) of revenues over expenditures	(238,071)	(1,182,331)	(100,231)	312,005	(1,208,628)
Other financing sources (uses)					
Transfers in (out)	(617,731)	1,182,331	-	(564,600)	-
Increases in notes payables	-	-	-	252,595	252,595
Net change in fund balance	(855,802)	-	(100,231)	-	(956,033)
Fund Balance at beginning of year	2,963,368	-	123,162	-	3,086,530
Fund Balance at end of year	\$ 2,107,566	\$ -	\$ 22,931	\$ -	\$ 2,130,497

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

PALM BAY ACADEMY, INC.

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

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

For the year ended June 30, 2023

Net Change in Fund Balance - Governmental Funds \$ (956,033)

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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation and amortization expense and disposals.

Capital outlay	300,055	
Adjustment to right of use lease asset capital outlay	8,218	
Depreciation and amortization expense	<u>(306,346)</u>	1,927

Increase in long term liabilities is revenue in the governmental funds, but a decrease or repayment of such payables reduces liabilities in the statement of net position.

Long-term liabilities issued	(252,595)
Principal payments on long-term liabilities	362,234
Amortization of deferred change of refunding	<u>\$ (148,500)</u>

Change in Net Position of Governmental Activities \$ (992,967)

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

PALM BAY ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Brevard County, Florida
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Palm Bay Academy, Inc., (the “School”) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation's Board of Directors, which is comprised of not less than three members. The board has determined that no component units exist that would require inclusion in the School’s financial statements.

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, the Brevard County School Board (the “District”). The current charter is effective until June 30, 2027 and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the school is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown.

The School is located in Palm Bay, Florida for students from kindergarten through eighth grade. These financial statements are for the year ended June 30, 2023, where approximately 351 students were enrolled for the year.

Basis of Presentation

The School’s accounting policies conform to accounting principles generally accepted in the United States applicable to state and local governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities. Any internal activity has been eliminated from the government-wide financial statements.

The statement of net position (deficit) reports the School's financial position as of the end of the fiscal year. In this statement, the School's net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

PALM BAY ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Program revenues include: (1) charges for services, such as food service and student activity fees; (2) operating grants such as Federal grants, the National School Lunch Program, and other state allocations; and (3) capital grants and contributions specific to capital outlay. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues and other local and miscellaneous sources.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues, direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the governmental fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The School reports the following major governmental funds:

General Fund - the general fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Debt Service Fund – to account for the resources accumulated and payments made for principal and interest on the revenue bonds and other notes payable.

Special Revenue Fund – accounts for specific revenues, such as federal funding, federal lunch program, and COVID-19 emergency relief funding that are legally restricted to expenditures for particular purposes.

Capital Outlay Fund – in accordance with guidelines established by the State of Florida. This fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

PALM BAY ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current 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 recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term liquid investments with maturities of three months or less at the date of acquisition.

The School has not adopted a formal deposit and investment policy that limits the School's allowable deposits or investments and address specific types of risk. Therefore, pursuant to Florida Statutes, the School is authorized to invest in the Florida PRIME investment pool, administered by the State Board of Administration (SBA); Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. Investments money market mutual funds that have maturities of one year or less from the date of acquisition are reported at amortized cost that is equally equivalent to fair value.

The School's investments are set aside to make debt service payments, maintain sinking or reserve funds, and to purchase or construct capital assets and are classified as restricted. These investments are reported as restricted in the Debt Service Fund in the Balance Sheet – Governmental Funds.

PALM BAY ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

The School follows the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, GASB Statement No. 72, Fair Value Measurement and Application, and other related standards which establish accounting and financial reporting standards for all investments (see Note 2). Money market investment that have maturities of one year or less from the date of acquisition are reported at amortized cost rather than fair value. Amortized cost closely approximates fair value.

Restricted Assets

Restricted assets include cash and cash equivalents that are related to the amounts that the School is required to segregate in connection with the issuance of bonds, including sinking fund and reserve requirements, as well as amounts segregated for capital projects of the School. The Indenture of Trust requires the establishment of the Funds for the bonds and accounts within such funds, all of which shall be special trust funds and accounts held by Trustee.

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies relate to grants or programs for which the services have been provided by the School.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements. Prepaid assets are reported as "non-spendable" in the funds financial statements to indicate that prepaids do not represent available expendable resources.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with a cost of \$750 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the government wide statements. Proceeds received from the sale or disposal of capital assets are recorded as Other Financing Sources in the governmental funds.

The right of use assets are initially measure at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right of use assets are amortized on a straight-line basis over the life of the related lease.

PALM BAY ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Estimated useful lives, in years, for capital assets are as follows:

Building and Improvements	5 – 40 Years
Furniture, Fixtures, and Equipment	5 Years
Improvements other than Building	10 Years
Computer Software	3 Years
Right-of-use asset (equipment and copiers)	3 – 5 Years
Motor vehicles	5 Years

Inter-fund Transfers

Interfund receivables/payables are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Long-Term Debt and Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond payable is reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Compensated Absences

The School grants a specific number of paid time off. Full time salary employees and full-time hourly employees are entitled to paid leave annually. In the event that available time is not used by the end of the benefit year, employees will not be able to “rollover” unused days for use in future years. There is no termination payment for accumulated unused days.

GASB Codification Section C60, Accounting for Compensated Absences, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefits years.

The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

PALM BAY ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Revenue Sources

Revenues for operations will be received primarily from 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, Florida Statutes, the School will report 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 the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the 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 periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for the debt service of school facilities. In addition, the School may receive a portion of the local capital improvement ad valorem tax revenues levied by the District.

Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Other revenues may also be derived from various fundraising activities and certain other programs.

PALM BAY ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position and Fund Balance Classification

Government-wide financial statements

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for a specific purpose, it is the Schools' policy to use restricted resources first, until exhausted, before using unrestricted resources.

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 properly reported within one of the fund balance categories listed below:

- a) Nonspendable - includes amounts that cannot be spent because they are either not spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories and prepaid expenses.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Restricted balances at year-end pertain to bond issuance and lunch program.
- c) 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 Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification that is 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. There are no assigned fund balances at year end.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

PALM BAY ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Income Taxes

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

Use of Estimates

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

New Accounting Standard Adopted

In fiscal year 2023, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The adoption had no material effect on the School's 2023 financial statements.

Pronouncements Issued But Not Yet Effective

GASB has issued GASB Statement No. 101, *Compensating Absences*. This Statement provides guidance on the accounting and financial reporting for certain types of compensated absences including parental leave, military leave, and injury duty leave. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through October 13, 2023, which is the date the financial statements were available to be issued.

PALM BAY ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 2 – Cash and Restricted Cash

Deposits

Cash is made of deposits and cash on hand totaling \$738,852. The School has identified itself as a public entity. Therefore, the School's deposit must be placed with a financial institution designation by the Treasurer of the State of Florida as a "qualified public depository", as defined in Chapter 280, Florida Statutes. As of June 30, 2023, no amount of the School's cash balances held were exposed to custodial credit risk.

Restricted Cash

The School held restricted cash in the amount of \$1,577,535 that was reported as a cash equivalent for financial statement reporting purposes. The School follows the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

At June 30, 2023, the School had approximately \$1,577,535 invested in a governmental money market mutual fund that is exempt from GASB 72 fair value hierarchy disclosures. The governmental money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of June 30, 2023, maturities of the fund's portfolio holdings are all within 30 days.

Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The School manages its exposure to credit risk by limiting investments to highly rated government money market mutual funds. The fund is rated Aaa-mf by Moody's.

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2023, all of the School's investments in government money market mutual funds were held in a separate account by the bond trustee and designated as assets of the School.

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The School manages its exposure to declines in fair values by limiting all investments to government money market mutual funds that can be redeemed daily.

PALM BAY ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 3 – Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2023:

	Balance 07/01/22	Additions	Deletions / Reclassification	Balance 06/30/23
Capital Assets, non-depreciable				
Land	\$ 1,711,383	\$ -	\$ -	\$ 1,711,383
Capital Assets, depreciable:				
Building and Improvements	\$ 8,739,837	\$ -	\$ -	\$ 8,739,837
Improvements other than buildings	125,396	-	-	125,396
Furniture, fixtures and equipment	677,229	47,460	-	724,689
Computer software	20,134	-	-	20,134
Motor vehicles	23,168	252,595	-	275,763
Total Capital Assets	\$ 11,297,147	\$ 300,055	\$ -	\$ 11,597,202
Less Accumulated Depreciation:				
Building and Improvements	(3,714,677)	\$ (233,435)	\$ -	\$ (3,948,112)
Improvements other than buildings	(106,728)	(3,058)	-	(109,786)
Furniture, fixtures and equipment	(606,122)	(30,281)	-	(636,403)
Computer software	(20,134)	-	-	(20,134)
Motor vehicles	(22,796)	(22,656)	-	(45,452)
Total Accumulated Depreciation	\$ (4,470,457)	\$ (289,430)	\$ -	\$ (4,759,887)
Total Capital Assets, being depreciated, net	\$ 6,826,690	\$ 10,625	\$ -	\$ 6,837,315
Lease Assets:				
Right of use lease asset	70,733	\$ -	\$ (18,845)	\$ 51,888
Less accumulated amortization:	(47,231)	(16,916)	27,063	(37,084)
Total Lease Assets being amortized, net	23,502	(16,916)	8,218	14,804
Governmental Activities Capital Assets, net	\$ 6,850,192	\$ (6,291)	\$ 8,218	\$ 6,852,119

For the fiscal year ended June 30, 2023, depreciation and amortization expense is allocated in the Statement of Activities by function as follows:

	Depreciation	Amortization
Facilities acquisition	\$ 236,492	\$ -
Instruction	16,013	16,916
Transportation	22,284	-
Operation of plant	799	-
Food services	10,285	-
School administration	3,557	-
Total Depreciation and Amortization Expense	\$ 289,430	\$ 16,916

PALM BAY ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 4 – Transactions with School District

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee from the qualifying revenues of the School. For the year ended June 30, 2023, administrative fees withheld by the School District totaled \$94,567.

Note 5 – Interfund Transfers

Interfund transfers in governmental funds as of June 30, 2023, consist of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
Transfers:				
To transfer funds to Debt Service Fund for debt service	\$ (617,731)	\$ -	\$ 1,182,331	\$ (564,600)
Total Transfers, net	<u>\$ (617,731)</u>	<u>\$ -</u>	<u>\$ 1,182,331</u>	<u>\$ (564,600)</u>
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
Due to General Fund from Capital Projects Fund for Capital Outlay	\$ 39,498	\$ -	\$ -	\$ (39,498)
Due to General Fund from Special Revenue Fund for Federal Funds	183,252	(183,252)	-	-
Total Due from/(Due to)	<u>\$ 222,750</u>	<u>\$ (183,252)</u>	<u>\$ -</u>	<u>\$ (39,498)</u>

Note 6 – Long-Term Liabilities

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. The school has a forbearance asset reflected in the statement of net position as a deferred change on refunding which is being amortized over twenty years.

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

This agreement further requires the School to meet certain additional conditions. The School shall maintain cash on hand at June 30 equal to at least 60 days as measured on June 30, 2023 and the last day of each fiscal quarter thereafter. As of June 30, 2023 the school met this requirement and maintained 117 days of cash on hand.

PALM BAY ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 6 – Long-Term Liabilities (continued)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, 2023, the School was not in compliance with the Debt Service Coverage Ratio at 0.49.

The School's revenues are pledge under this bond issuance up to the remaining balance as of June 30, 2023. In the event of default, the maturity date can be accelerated and/or the underlying collateral may be subject to foreclosure.

The following is a summary of changes in bonds payable:

	Balance 07/01/22	Additions Reclassifications	Retirements / Payments	Balance 06/30/23	Due in one year	Interest
Series 2017A	\$ 7,575,000	\$ -	\$ (310,000)	\$ 7,265,000	\$ 200,000	463,144
Series 2017B	140,000	-	-	140,000	\$ 140,000	12,600
Series 2017C	3,290,000	-	-	3,290,000	-	209,738
Series 2017D	350,000	-	-	350,000	-	31,500
Series 2017E	2,610,000	-	-	2,610,000	-	-
Series 2017F	360,000	-	-	360,000	-	-
	<u>\$ 14,325,000</u>	<u>\$ -</u>	<u>\$ (310,000)</u>	<u>\$ 14,015,000</u>	<u>\$ 340,000</u>	<u>\$ 716,982</u>

Interest expense for the year ended June 30, 2023 was \$823,393. Annual requirements to amortize all bonded debt outstanding as of June 30, 2023, are as follows:

Year	Principal	Interest	Total
2024	\$ 340,000	\$ 716,981	\$ 1,056,981
2025	365,000	691,631	1,056,631
2026	390,000	668,363	1,058,363
2027	415,000	643,500	1,058,500
2028	440,000	617,044	1,057,044
2029-2033	2,660,000	2,626,856	5,286,856
2034-2037	9,405,000	1,424,269	10,829,269
	<u>\$ 14,015,000</u>	<u>\$ 7,388,644</u>	<u>\$ 21,403,644</u>

SBA - 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 except for real estate. On August 21, 2021, the School renegotiated the Economic Injury Disaster Loan to add an additional \$350,000 to the \$150,000 loan for a combined loan of \$500,000 balance. The payment of \$2,210 began on December 31, 2023, with the original interest and maturity date remaining the same. As of June 30, 2023, the remaining balance of the EIDL loan was \$492,449.

PALM BAY ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 6 – Long-Term Liabilities (continued)Note Payable – Bus Loan

On January 11, 2023, the School obtained financing in the amount of \$252,595 to acquire two school busses. The terms of the loan agreement called for 84 consecutive monthly payments of \$3,878.30 including principal and interest based on a 7-year straight amortization schedule. The note bears an interest rate of 7.532% fixed with the first payment commencing on February 20, 2023, and a maturity date of January 20, 2030. The outstanding balance of the note as of June 30, 2023, amounted to \$240,985.

Revolving Line of Credit

The School maintains a revolving line of credit with Wells Fargo where it may borrow up to \$76,000 of which \$16,622 was available as of June 30, 2023. Interest is payable monthly and accrues at a daily rate of 0.03972%. As of June 30, 2023, there was an outstanding balance of \$59,378.

The following is a summary of changes in the economic injury disaster loan, the bus loan and line of credit:

	Balance 07/01/22	Advances	Repayments	Balance 06/30/23
Revolving line of credit	\$ -	\$ 59,378	\$ -	59,378
Motor Vehicles Financing	-	252,595	11,610	240,985
SBA - Economic Injury disaster loan	499,900	-	7,451	492,449
	<u>\$ 499,900</u>	<u>\$ 311,973</u>	<u>\$ 19,061</u>	<u>\$ 792,812</u>

Interest expense for the year ended June 30, 2023, was \$15,751. Future maturities under the economic injury disaster loan, the bus loan and the line of credit as of June 30, 2023, are as follows:

Year	Principal	Interest	Total
2024	\$ 101,910	\$ 30,528	\$ 132,438
2025	45,189	27,870	\$ 73,059
2026	48,035	25,024	\$ 73,059
2027	51,085	21,974	\$ 73,059
2028	54,353	18,707	\$ 73,060
2029-2033	148,955	57,333	\$ 206,288
2034-2038	91,429	41,171	\$ 132,600
2039-2043	104,940	27,660	\$ 132,600
2044-2048	120,331	12,269	\$ 132,600
2049	26,585	406	\$ 26,991
	<u>\$ 792,812</u>	<u>\$ 262,942</u>	<u>\$ 1,055,754</u>

PALM BAY ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 6 – Long-Term Liabilities (continued)

Lease Liabilities

The School held or entered into leases for various telephone equipment and copiers for use in classrooms. The leases are noncancellable, with terms ranging from thirty-two to sixty months. The leases have nonrenewal clauses and computers and copiers revert to the lessor at the end of the lease. The interest rates on the leases were approximately 1.3% which was used to discount the annual lease payments to recognize the intangible right to use asset and lease liabilities upon adoption of GASB 87. During the year, the lease right of use asset and accumulated amortization were adjusted to correct an error identified during the implementation with a net effect of \$8,218. For the year ended June 30, 2023, variable lease payments totaled \$1,831 and interest expense totaled \$375.

Changes in long term lease liabilities during the year are as follows:

	Balance 07/01/22	Advances	Repayments	Balance 06/30/23
Lease liabilities	\$ 36,369	\$ -	\$ 16,888	\$ 19,481
	<u>\$ 36,369</u>	<u>\$ -</u>	<u>\$ 16,888</u>	<u>\$ 19,481</u>

Annual requirements to amortize the lease liability and related interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 12,349	\$ 161	\$ 12,510
2025	2,924	76	3,000
2026	2,963	37	3,000
2027	1,245	4	1,249
	<u>\$ 19,481</u>	<u>\$ 278</u>	<u>\$ 19,759</u>

Note 7 – Contingencies and Concentrations

Contingencies and Concentrations

The School receives substantially all of its funding from the State through the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits.

It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

PALM BAY ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8 – Risk Management

The School is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; administrative errors and omissions; personal injury; workers compensation and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage in any of the past three fiscal years. In addition, there were no reductions in insurance coverage from those in the prior year.

The School has entered into a strategic relationship with S & W Payroll Services, LLC ("Netchex"), a human resource management firm, typically known as "Professional Employer Organization" (PEO). Under a co-employment agreement, the PEO is the employer of record and is responsible for administering payroll, payroll taxes, provide employee benefits and assist with human resources and risk management. Accordingly, certain human resource related risks are transferred to the PEO. Nevertheless, the School may be subject to risks, including loss, penalties and fines related to employment practices, administrative error and omissions.

REQUIRED SUPPLEMENTARY INFORMATION

PALM BAY ACADEMY, INC.

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the year ended June 30, 2023

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local and other local	\$ 2,838,848	\$ 2,838,848	\$ 2,721,876
Other revenue	10,500	10,500	179,402
Total Revenues	<u>2,849,348</u>	<u>2,849,348</u>	<u>2,901,278</u>
EXPENDITURES			
Current:			
Instruction	1,351,544	1,351,544	1,484,698
Student support services	-	-	6,714
Instructional Media	-	-	123,390
Instruction and Curriculum	-	-	5,955
Instructional staff training	75,891	75,891	34,786
Instruction related technology	-	-	84
Board	15,000	15,000	16,520
School administration	652,976	652,976	663,296
Facilities acquisition	-	-	803
Fiscal services	56,350	56,350	131,281
Central services	111,060	111,060	130,217
Transportation	155,000	155,000	119,862
Operation of plant	233,277	233,277	372,204
Maintenance of plant	16,100	16,100	17,367
Total Current Expenditures	<u>2,667,198</u>	<u>2,667,198</u>	<u>3,107,177</u>
Excess (Deficit) of Revenues Over Current Expenditures	<u>182,150</u>	<u>182,150</u>	<u>(205,899)</u>
Capital Outlay	-	-	32,172
Total Expenditures	<u>2,667,198</u>	<u>2,667,198</u>	<u>3,139,349</u>
Excess of Revenues Over Expenditures	182,150	182,150	(238,071)
Other financing sources (uses):			
Transfers in (out)	<u>(182,150)</u>	<u>(182,150)</u>	<u>(617,731)</u>
Net change in fund balance	-	-	(855,802)
Fund Balance at beginning of year	<u>2,963,368</u>	<u>2,963,368</u>	<u>2,963,368</u>
Fund Balance at end of year	<u>\$ 2,963,368</u>	<u>\$ 2,963,368</u>	<u>\$ 2,107,566</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

PALM BAY ACADEMY, INC.

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the year ended June 30, 2023

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	\$ 546,885	\$ 546,885	\$ 640,980
Total Revenues	<u>546,885</u>	<u>546,885</u>	<u>640,980</u>
EXPENDITURES			
Current:			
Instruction	181,262	181,262	294,417
Food services	<u>298,967</u>	<u>298,967</u>	<u>431,506</u>
Total Current Expenditures	<u>480,229</u>	<u>480,229</u>	<u>725,923</u>
Excess (Deficit) of Revenues Over Current Expenditures	<u>66,656</u>	<u>66,656</u>	<u>(84,943)</u>
Capital Outlay	-	-	15,288
Total Expenditures	<u>480,229</u>	<u>480,229</u>	<u>741,211</u>
Excess (Deficit) of Revenues Over Expenditures	66,656	66,656	(100,231)
Other financing sources (uses)			
Transfers in (out)	<u>(66,656)</u>	<u>(66,656)</u>	<u>-</u>
Net change in fund balance	-	-	(100,231)
Fund Balance at beginning of year	<u>123,162</u>	<u>123,162</u>	<u>123,162</u>
Fund Balance at end of year	<u>\$ 123,162</u>	<u>\$ 123,162</u>	<u>\$ 22,931</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.



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*

Board of Directors of
Palm Bay Academy, Inc.
Palm Bay, 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 and each major fund of Palm Bay Academy, Inc. (the "School") as of, and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 13, 2023.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying management letter as item ML-23-02.

We issued a separate management letter pursuant to Chapter 10.850, Rules of the Auditor General dated October 13, 2023.

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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 13, 2023



MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Palm Bay Academy, Inc., Florida, as of and for the year ended June 30, 2023 and have issued our report thereon dated October 13, 2023.

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 Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated October 13, 2023, 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 and recommendations made in the preceding financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of education of the entity is Palm Bay Academy, Inc., 6501.

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 has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that Palm Bay Academy, Inc., 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 Palm Bay Academy, Inc. It is management's responsibility to monitor '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 recommendation to improve financial management. In connection with our audit, we have the recommendations which are described in the accompanying appendix to the management letter as item ML – 23-01 and ML – 23-04.

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to report the results of our determination as to whether Palm Bay Academy, Inc., 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 did not maintain its Web site with the information specified in Section 1002.33(9)(p), Florida Statutes. We have recommendations which are described in the accompanying appendix to the management letter as item ML – 23-03.

Additional Matters

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

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 Florida House of Representatives, the Florida Auditor General, the District School Board of Brevard County, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 13, 2023

Appendix to Management Letter
Current Year's Observations, Recommendations, and Management's Responses
June 30, 2023

ML – 23-01 Budget Planning, Review and Oversight

Criteria: The School is required to adopt an annual budget and amendments that are to be approved by the Governing Board.

Condition: It was noted during the audit that an amended budget was not prepared or reviewed for the Schools actual year to date expenditures that exceeded initial budgeted amounts during the year.

Cause: The condition results from management not identifying and notifying the Governing Board of the final variances to budgeted amounts in a timely manner.

Effect: Failure to perform the procedures mentioned above resulted in the School's final expenditures for the year to be over budgeted amounts and could cause significant financial declines.

Recommendation: We recommend that an annual budget process be implemented so that the board will approve budgeted results to actual and amend the budget accordingly prior to year-end. The format of the budget should closely match that of the financial statements and include all financial activity and cash flow projections. This will allow for useful comparisons between budgeted and actual financial information as well as enable more meaningful and precise analysis of budget variances.

Views of Responsible Officials: Management will adhere to auditor's recommendation. The board will approve actuals for 2022-2023 at the next meeting as our corrective action and will have the actual approved before final audit next year.

ML 23-02 Bond Covenant Noncompliance

Criteria: The School's Revenue Bonds, Series 2017 include covenants for debt service coverage ratio and days cash on hand as described in the Loan Agreement. The School agrees to have a debt service coverage ratio at June 30, 2023 and each June 30 thereafter, until the bonds are no longer outstanding in a coverage ratio of no less 1.00.

Condition: As of June 30, 2023, the calculated days debt service coverage ratio was 0.49.

Cause: The condition results from management not monitoring the covenant calculation throughout the fiscal year.

Effect: Further noncompliance with the covenant may have an adverse effect on the School's financial position.

Recom-
mendation: We recommend management and the Board review the recommendations in the Management Consultant report as prepared to meet the covenant and include cash flow projections in the annual budget.

Views of
Responsible

Officials: The School does monitor the covenant calculation periodically, however, due to a decrease in enrollment resulting in a decrease in revenue as well as increased costs not offset by additional revenue this resulted in a deficit in the current year and lower debt service coverage ratio. The School was aware of this factor. The School has further provided projections to the bond representatives which include additional revenue from FEFP funds, local charter millage and state mandated local capital millage. The School also is creating new STEM programs to attract new students as well as new marketing strategies. The School is making all efforts to improve its financial condition with the resources available.

ML 23-03 Website Maintance

Criteria: Per Florida Statute 1002.33(9)(p), each charter school shall maintain a website that enables the public to obtain information regarding the School. The School's charter agreement requires the School to update their website quarterly for board member meetings, minutes, and current year budget.

Condition: During our audit, we were unable to find the School's budgets and previous year audit report.

Cause: The conditions results from management not updating the schools website regularly.

Effect: The public should have access to the School's budget and previous audited financial report.

Recom-
mendation: We recommended that the School update its website on a periodic basis to include all required information including schools budget and previous audited financial report.

Views of
Responsible

Officials: While the School agrees the budget nor audit is posted on the website, this is a software issue in the viewing section of the site not the lack of the School uploading the information. The School as IT working to correct this issue

ML 23-04 Financial Reporting

Criteria: The school is responsible for accurate financial reporting, which includes detecting and preventing material misstatements in the financial statements, as well as within the underlying records.

Condition: Our audit revealed several misstatements related to the following: recording of information regarding their liabilities and cash which resulted in the necessity of adjustments required to be recorded to present the financial statements in conformity with generally accepted accounting principles.

Cause: The condition results from school personnel not consistently adhering to the policies and procedures regarding cash and liabilities reconciliations and accurate recordkeeping.

Effect: Failure to perform the procedures could result in misappropriation of assets and accounting errors.

**Recom-
mendation:** We recommend the school improve their financial accounting process to ensure the fair presentation of reported and recorded financial information.

**Views of
Responsible**

Officials: The School agrees there were several misstatements. The School transitioned from the accountants they contracted for 20 years to a new service in January 2023. Most of the misstatements are related to transactions that occurred during that transition period. The School has implemented procedures to ensure all information is provided to the accountant to avoid any misstatements in the future.