

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORTS THEREON**

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2025**



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Table of Contents

Management’s Discussion and Analysis	3
Independent Auditor’s Report	8
Basic Financial Statements	10
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Funds.....	12
Reconciliation of Governmental Funds Balance Sheet To the Statement of Net Position.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to the Basic Financial Statements	16
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	28
Budgetary Comparison Schedule – Special Revenues Fund.....	29
Report of Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30
Additional Information Required by Rules of the Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities</i> :	
Management Letter	33

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* CITY OF PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2025

The discussion and analysis of City of Palms Charter High School, Inc. *dba* City of Palms Charter High School's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2025. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The year ended June 30, 2025 represents the 19th year of operations for the School. For the first five years of operation, the School was operated by a national educational management provider. Upon termination of that agreement, the Corporation and the School were required to change names. "Life Skills Center – Lee County, Inc." officially became "City of Palms Charter High School, Inc." operating City of Palms Charter High School as of July 2011. In June 2016, the School District of Lee County approved renewal of the School's contract for 10 years, through June 30, 2026. The governing board has hired a Principal to oversee educational aspects of the School and contracted a local educational service provider, Consulting + Professional Assistance, Inc., to manage all business operations related to the School. The School is related to Palm Acres Charter HS and Northern Palms Charter HS through a common board of governance (see Note 1).

Financial Highlights

At the close of the fiscal year, assets of the School exceeded liabilities by \$397,905 (net position). This is an increase of \$35,489 from the prior year when assets exceeded liabilities by \$362,416. Enrollment was severely affected when Hurricane Milton made landfall at the end of September 2024. School was closed during part of the "3rd calculation count period" (the count). Instead of using actual attendance during the published dates of the count, the Florida Department of Education chose to use attendance during the weeks prior to the count. This difference created a 7% decrease in projected FEFP revenues. In addition to losing enrollment due to the hurricane, FEFP adjustments related to the "4th calculation" were estimated by the School, but adjustments to FY25 revenues have yet to be made. This report reflects the FEFP balance due as a receivable at June 30, 2025. Average enrollment in decreased from 133 in FY24 to 96 in FY25 – a 28% decrease that reversed resulting from the natural disaster.

Using this Financial Report

This report consists of six parts:

- 1) Management's discussion and analysis;
- 2) Independent auditor's report;
- 3) The basic financial statements;
- 4) Notes to the financial statements;
- 5) Required supplementary information and
- 6) Management letter.

Basic financial statements include two kinds of statements presenting different views of the School:

- 1) The "Statement of Net Position" and the "Statement of Activities" are government-wide financial statements that provide information about the School's overall financial status.
- 2) The "Balance Sheet" and the "Statement of Revenues, Expenditures and Changes in Fund Balance", are fund financial statements that focus on individual parts of the School.

Government-Wide Financial Statements

These statements report information about the School as a whole using accounting methods similar to those used by the private sector. The "Statement of Net Position" presented on the following page includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. Changes in net position provide an indicator of improving or deteriorating financial position.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* CITY OF PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2025
(continued)

Government-Wide Financial Statements – (continued)

	<u>Statement of Net Position</u>		
	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>
Assets			
Current assets	\$ 1,038,642	\$ 651,320	\$ 387,322
Capital assets, net	46,897	34,619	12,278
Right-of-use assets - net	1,075,059	284,082	790,977
Total assets	<u>\$ 2,160,598</u>	<u>\$ 970,021</u>	<u>\$ 1,190,577</u>
Liabilities			
Current liabilities	\$ 693,700	\$ 304,303	\$ 389,397
Lease payable	1,038,107	261,992	776,115
SBITA payable	30,886	41,310	(10,424)
Total liabilities	<u>\$ 1,762,693</u>	<u>\$ 607,605</u>	<u>\$ 1,155,088</u>
Net Assets			
Invested in capital assets	\$ 46,897	\$ 34,619	\$ 12,278
Invested in right-of-use assets	6,066	(19,220)	25,286
Unrestricted	344,942	347,017	(2,075)
Total net position	<u>\$ 397,905</u>	<u>\$ 362,416</u>	<u>\$ 35,489</u>

The increase in current assets of \$387,322 is represented by an increase in cash of \$147,683, an increase in accounts receivable from related parties of \$203,743, an increase in state funding receivables of \$62,748, a decrease in grants receivable of \$35,431, and an increase in prepaid expenses \$8,579.

Net capital assets are represented by computer hardware (50%), furniture and equipment (33%) and leasehold improvements (17%).

At June 30, 2025, current liabilities of \$693,700 are comprised of \$43,339 (6%) accrued payroll expenses, \$635,100 (92%) related party transactions (Note 3) and \$15,261 (2%) general operating accounts payable. The increase in current liabilities is directly related to the increase in intercompany accounts payable of \$381,295.

Implementation of GASB 87 is responsible for the addition of right-of-use lease asset and the corresponding Lease note payable. During FY25, the Board against renewing the lease for a 2-year option beginning August 1, 2025. Instead, the Board signed a new 5-year lease with a 5-year option. The new lease retains Unit 201 but removes Unit 205 to replace it with Unit 117. An amendment was made to this lease to extend the use of Unit 205 through December 2025 pending completion of renovations to Unit 117. Therefore, the right-of-use asset and the lease note payable were adjusted to reflect these changes FY25.

Implementation of GASB 96 is responsible for the addition of right-of-use "Subscription-Based Information Technology Arrangements" (SBITA) and the corresponding SBITA note payable. In August 2023, the Corporation entered into a 5-year agreement with "Edmentum" for online curriculum. There have been no changes to this agreement nor have there been any additional agreements entered into during FY25.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* CITY OF PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2025
(continued)

Government-Wide Financial Statements – Change in Net Position – Statement of Activities

The table below provides a comparative summary of School's changes in net position, revenues and expenses for FY25 and FY24.

Federal sources:

- O ESSER III grant funds received increased by just over \$86,000 (188%) due to timing of reimbursement requests submitted at the end of FY24 that were not received until FY25.

State and Local Sources:

- O Revenues from the Florida Education Finance Program (FEFP) decreased over \$215,000 – nearly 20% - over the previous year due to decreases in enrollment resulting from negative effects of Hurricane Milton in September 2024. In accordance with funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District. For FY25 and FY24, the School was paid for 96 and 133 students, respectively.
- O State capital outlay funding decreased by nearly \$24,000 (30%) due to decreases in enrollment.
- O Local capital improvement funds nearly doubled between FY24 and FY25 increasing by \$17,403 from \$36,772 in FY24 to \$54,175 in FY25.

E-Rate reimbursements, included within *State and local sources* decreased by \$54,817 (92%) from the prior year.

Intercompany contribution: Contributions were increased by \$130,000 from \$20,000 in FY24 to \$150,000 in FY25.

Total revenues creased by \$44,062 (3.4%) due primarily to the effect of decreases in FEFP funding. Net expenses increased by less than 1% - only \$5,502 (.5%).

Change in Net Position - Statement of Activities

	2025	2024	Increase (Decrease)
Revenues			
Federal sources	\$ 131,942	\$ 45,755	\$ 86,187
State and local sources	863,186	1,078,532	(215,346)
Capital outlay	55,311	79,300	(23,989)
Contributions and other revenues	188,994	79,908	109,086
Total revenues	1,239,433	1,283,495	(44,062)
Expenses			
Instruction	328,127	314,272	13,855
Instructional support services	102,457	90,837	11,620
Board	21,803	29,860	(8,057)
School administration	434,928	438,184	(3,256)
Central services	40,450	49,808	(9,358)
Pupil transportation services	1,884	4,360	(2,476)
Operation of plant	261,994	267,729	(5,735)
Maintenance of plant	12,301	3,392	8,909
Total expenses	1,203,944	1,198,442	5,502
Change in net position	\$ 35,489	\$ 85,053	\$ (49,564)

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* CITY OF PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2025
(continued)

Financial Analysis of the School's Funds

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of sources of funding and spending.

The School's basic services are included in governmental funds which focus:

- 1) on how financial assets can be converted to cash flows and
- 2) on the year-end balances available for spending.

In particular, unassigned fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the School's governmental fund reports a combined ending unassigned fund balance of \$300,433 – a \$10,655 (3.5%) decrease from the prior year's ending unassigned fund balance of \$311,088. The change is primarily the result of decreased enrollment.

General Fund Budgetary Highlights

The School prepares an annual budget based on the expected funded enrollment for the year. The revised budget anticipated the actual enrollment of 103 students, however actual, after adjustments for Hurricane Milton, the School was paid on an enrollment of 96. The budget did not include the \$150,000 contribution from Palm Acres Charter High School that was approved by the School's common board of directors.

Capital Assets

The School had \$46,897 and \$34,619 invested in capital assets at June 30, 2025 and 2024 respectively. The capitalization threshold for classification of long-term assets is \$1,000.

	Capital Assets (Net of Depreciation)		
	2025	2024	Increase (Decrease)
Leasehold improvements	\$ 2,036	\$ 6,371	\$ (4,335)
Furniture, fixtures and equipment	30,587	4,458	26,129
Computer hardware	14,274	23,790	(9,516)
Total	<u>\$ 46,897</u>	<u>\$ 34,619</u>	<u>\$ 12,278</u>

See Note 7 to the financial statements for additional details.

Lease Asset and Liability

The School implemented GASB Statement No. 87 - Leases, which requires the recognition of certain long term lease contracts in which the School has control of a non-financial asset. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments and reasonably certain guarantees. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

The non-financial asset is recorded as an intangible right-of-use asset. The right-of-use asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. The right-of-use asset is amortized over the shorter of the useful life of the asset or lease term. In the current fiscal year, the School recognized a net right-of-use asset of \$1,044,004 and a lease liability of \$1,038,107.

Information related to the change in the Right-of-use asset and lease liability is presented in Note 9.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* CITY OF PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2025
(continued)

SBITA Asset and Liability

The School implemented GASB Statement No. 96 – “Subscription-Based Information Technology Arrangements”, which requires the recognition of certain long term lease contracts in which the School has control of a non-financial asset. The SBITA liability is recorded at the present value of future contractual payments, including fixed payments, variable payments and reasonably certain guarantees. The SBITA liability is reduced by the payments made, less the interest portion of the payment.

The non-financial asset is recorded as an intangible right-of-use asset. The right-of-use asset is recorded for the same amount as the related liability plus any prepayments and initial direct costs to place the asset in service. The right-of-use asset is amortized over the shorter of the useful life of the asset or contract term. In the current fiscal year, the School recognized a net right-of-use asset of \$31,055 and a related liability of \$30,886.

Information related to the change in the right-of-use SBITA asset and SBITA liability is presented in Note 9.

Current Financial Statements

This fiscal year was the ninth year of the School’s 10-year renewal contract. After the initial contract period, when the School operated as *Life Skills Center – Lee County*, the School was granted a 5-year renewal contract opening in FY12 with a new name, a new location and a new educational service provider. Long-term sustainability has been demonstrated by consistent enrollment, staff retention and a cooperative relationship with the School District of Lee County. The School’s contract was renewed in 2016 for ten years beginning July 1, 2016 and ending June 30, 2026. The Board of Director’s will be applying for a renewal contract during FY26.

The Board of Directors of City of Palms Charter High School, Inc. has contracted with Consulting and Professional Assistance, Inc. (“CPA’s”) to provide day-to-day business services including maintenance of facilities, equipment, technology, support services, financial reporting, and personnel management. CPA’s provides services for a percentage share of the revenues received by the School.

Contacting the School’s Financial Management

This financial report is designed to provide interested parties with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. If you have questions about this report or need additional information, please contact Amy Rohner, Vice President for School Services, Consulting and Professional Assistance, Inc. at City of Palms Charter High School, 2830 Winkler Avenue, Suite 201, Fort Myers, FL 33916; (239) 561-6611.

Next Year’s Budget

Amounts available for appropriation in FY25 are approximately \$1,365,000, an increase of 43% over FY25 actual amounts, excluding any contributions. The increase is due to anticipated increases in enrollment. Projected FY26 enrollment is 150. Actual FY25 enrollment was 96. Budgeted expenditures are \$1,315,000, an increase of 1% from FY25 actual amounts. If the above estimates are realized, the general fund is expected to increase by approximately \$50,000 by the end of FY26.



Independent Auditor's Report

To the Board of Directors of City of Palms Charter High School, Inc. *dba* City of Palms Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund information of City of Palms Charter High School, Inc. *dba* City of Palms Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida, (the "School") as of and for the year ended June 30, 2025, 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 City of Palms Charter High School, Inc. *dba* City of Palms Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida as of and for the year ended June 30, 2025, 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. 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 the 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 representation 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 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, 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 and 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 of 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 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 an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2025, 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 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.

McCrady and Associates, PLLC

Altamonte Springs, Florida
September 17, 2025

107 Water Oak Lane | Altamonte Springs, FL 32714
Office 407-960-4429 admin@mccradyandassociates.com
www.mccradyandassociates.com

Members of American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Statement of Net Position

June 30, 2025

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 642,906
Accounts receivable	351,227
Other assets	44,509
Right-of-use assets:	
Right-of-use lease asset	1,273,048
Right-of-use SBITA asset	51,757
Less accumulated amortization	<u>(249,746)</u>
Total right-of-use assets, net	<u>1,075,059</u>
Capital assets:	
Furniture, fixtures and equipment	60,455
Computer hardware	93,680
Leasehold improvements	30,957
Less accumulated depreciation	<u>(138,195)</u>
Total capital assets, net	<u>46,897</u>
Total assets	<u><u>\$ 2,160,598</u></u>
Liabilities	
Accounts payable and accrued expenses	\$ 693,700
Long-term liabilities:	
Portion due or payable within one year:	
Lease payable	94,630
SBITA payable	10,424
Portion due or payable after one year:	
Lease payable	943,477
SBITA payable	<u>20,462</u>
Total liabilities	<u><u>1,762,693</u></u>
Net Position	
Invested in capital assets, net of related debt	\$ 46,897
Invested in right-of-use assets, net of related debt	6,066
Unrestricted	<u>344,942</u>
Total net position	<u><u>\$ 397,905</u></u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Statement of Activities

For the Year Ended June 30, 2025

				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Operating Grants	Capital Grants	Total Governmental Activities
Governmental activities:				
Instruction	\$ 328,127	\$ 21,767	\$ -	\$ (306,360)
Instructional support services	102,457	19,232	-	(83,225)
Board	21,803	-	-	(21,803)
School administration	434,928	12,253	-	(422,675)
Central services	40,450	-	-	(40,450)
Transportation	1,884	-	-	(1,884)
Operation of plant	261,994	-	55,311	(206,683)
Maintenance of plant	12,301	-	-	(12,301)
Total primary government	<u>\$ 1,203,944</u>	<u>\$ 53,252</u>	<u>\$ 55,311</u>	<u>(1,095,381)</u>
			Federal sources	78,690
			State and local sources	863,186
			Contribution	150,000
			Other revenues	38,994
			Total general revenues	<u>1,130,870</u>
			Change in net position from operations	35,489
			Net position at beginning of year	<u>362,416</u>
			Net position at end of year	<u>\$ 397,905</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Balance Sheet – Governmental Fund

June 30, 2025

	General Fund - Total Governmental Funds
Assets	
Cash	\$ 642,906
Accounts receivable	351,227
Other assets	44,509
Total assets	<u>\$ 1,038,642</u>
Liabilities	
Accrued payroll	\$ 43,339
Accounts payable	650,361
Total liabilities	<u>693,700</u>
Fund Balance	
Nonspendable:	
Restricted	44,509
Spendable:	
Unassigned	300,433
Total fund balance	<u>344,942</u>
Total liabilities and fund balance	<u>\$ 1,038,642</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

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

June 30, 2025

Total fund balance - governmental fund	\$ 344,942
--	------------

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

Assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in the
governmental funds.

Capital assets	185,092
Accumulated depreciation	(138,195)
Right-of-use lease asset	1,273,048
Right-of-use SBITA asset	51,757
Accumulated amortization	(249,746)

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

Lease note payable	(1,038,107)
SBITA note payable	<u>(30,886)</u>

Total net position - governmental activities	<u>\$ 397,905</u>
--	-------------------

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
dba
CITY OF PALMS CHARTER HIGH SCHOOL
A Charter School and Component Unit of the
District School Board of Lee County, Florida
Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds

For the Year Ended June 30, 2025

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Federal sources	\$ -	\$ 131,942	\$ -	\$ -	\$ 131,942
State and local sources	863,186	-	-	-	863,186
Capital outlay funds	-	-	55,311	-	55,311
Contribution	150,000	-	-	-	150,000
Other revenues	38,994	-	-	-	38,994
Total revenues	<u>1,052,180</u>	<u>131,942</u>	<u>55,311</u>	<u>-</u>	<u>1,239,433</u>
Expenditures					
Instruction	296,009	21,767	-	-	317,776
Instructional support services	89,735	19,232	-	-	108,967
Board	21,803	-	-	-	21,803
School administration	402,495	12,253	-	-	414,748
Central services	40,450	-	-	-	40,450
Transportation	1,884	-	-	-	1,884
Operation of plant	114,617	-	55,311	-	169,928
Maintenance of plant	2,301	-	-	-	12,301
Capital outlays	47,381	-	-	-	47,381
Right-of-use assets	121,770	-	-	-	121,770
Debt Service					
Principal	-	-	-	91,769	91,769
Interest	-	-	-	14,501	14,501
Total expenditures	<u>1,148,445</u>	<u>53,252</u>	<u>55,311</u>	<u>106,270</u>	<u>1,363,278</u>
Change in fund balance from operations	(96,265)	78,690	-	(106,270)	(123,845)
Proceeds from issuance of debt	-	-	-	121,770	121,770
Transfers	94,190	(78,690)	-	(15,500)	-
Total change in fund balance	(2,075)	-	-	-	(2,075)
Fund balance at beginning of year	<u>347,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,017</u>
Fund balance at end of year	<u>\$ 344,942</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 344,942</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

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

For the Year Ended June 30, 2025

Net changes in fund balance - total governmental funds	\$ (2,075)
Amounts reported for governmental activities in the statement of activities are different because:	
Proceeds from issuance of debt:	
Right-of-use lease note payable	109,770
Right-of-use SBITA payable	12,000
Increase in right-of-use assets:	
Right-of-use lease asset	(109,770)
Right-of-use SBITA asset	(12,000)
Principal payments on long-term debt are expenditures in the governmental funds. However, the payments reduce long-term lease note payable liability in the statement of net position.	
Principal payments in the current period are:	
Right-of-use lease note payable	81,345
Right-of-use lease note payable - cumulative adjustment related to issuance of debt	15,500
Right-of-use SBITA payable	10,424
Amortization of Right-of-use assets is reported as an expense on the statement of activities. However, no amounts are reported in the governmental funds. The amount incurred in the current period is:	(81,983)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures	47,381
Depreciation / amortization expense	(35,103)
Change in net position of governmental activities	<u>\$ 35,489</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements

For the Year Ended June 30, 2025

1. Description of School and Reporting Entity

City of Palms Charter High School, Inc. *dba* City of Palms Charter High School (the "School") 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 Not-For-Profit Corporation currently operates two other charter high schools in Lee County in addition to this school. All three schools have the same Board of Governance. As such, they are related entities.

The School contracts with Consulting + Professional Assistance, Inc. ("CPA's") as educational service providers to manage day-to-day business operations (See Note 10). 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 District School Board of Lee County, Florida (the "District"). The current contract was renewed after fifteen years for an additional ten years beginning July 1, 2016 ending June 30, 2026. This contract may also be renewed by mutual written agreement between the School and the District. The Board of Directors will be applying for renewal of the charter contract during FY26.

At the end of the 10-year renewal term of the charter contract, the District may choose not to renew the agreement under grounds specified in the charter contract. In this case, the District is required to notify the School in writing at least 90 days prior to the charter contract's expiration. During the term of the charter, the District may also terminate the charter contract if good cause is shown. In the event of termination of the charter contract, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the District. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools.

The School is considered a component unit of the District and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the *GASB Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Recently Issued Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This pronouncement establishes a definition for SBITAs and provides guidance for accounting and financial reporting for transactions that meet that definition. Under this pronouncement, a school is required to recognize an intangible right-of-use subscription asset and corresponding subscription liability, thereby enhancing the relevance and consistency of information about a school's activities. The original effective implementation date was reporting periods beginning after June 15, 2021. However, GASB Statement No. 95 postponed the implementation to be effective for reporting beginning after June 15, 2022. Currently, the School is party to a 5-year software subscription contract for online curriculum.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements

For the Year Ended June 30, 2025

(continued)

Recently Issued Accounting Pronouncements - continued

In June 2017, the GASB issued Statement No. 87, Leases. This pronouncement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-of-use an underlying asset. Under this pronouncement, a lessee is required to recognize a lease liability and an intangible right-of-use lease asset, thereby enhancing the relevance and consistency of information about a school's leasing activities. The cumulative effect of any changes implemented to conform to this pronouncement would be reported as a restatement of beginning net position and fund balance. The original effective implementation date was June 30, 2021. However, GASB Statement No. 95 postponed the implementation of this statement to be effective for reporting periods beginning after June 15, 2021.

2. Summary of Significant Accounting Policies

The School has adopted guidance issued by the GASB that established fund balance classifications that comprise of a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This guidance improves the usefulness of fund balance information by clarifying the definitions of existing governmental fund types and providing additional classifications of fund balance.

Basis of Presentation

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government-wide financial statements report about the School as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide financial statements of the School consist of governmental activities. The School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based on the purpose for which they are spent and the means by which spending activities are controlled.

The funds in the financial statements of this report are the General Fund, Special Revenue Fund and Capital Projects Fund. The General Fund is the School's primary operating fund and accounts for all financial resources not required to be accounted for in another fund. For purposes of these statements, the General Fund, Special Revenues Fund and Capital Projects Fund constitute major funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements

For the Year Ended June 30, 2025

(continued)

2. Summary of Significant Accounting Policies – Basis of Accounting - continued

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses/expenditures are recognized when a liability is incurred, regardless of the timing the related cash flows take place.

The governmental funds basic financial statements are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from the acquisition of long-term debt are reported as other financing sources.

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level.

Cash and Cash Equivalents

All cash received by the School is maintained in demand deposit accounts. Under current regulations, deposit accounts are insured by the FDIC up to \$250,000 per insured institution. The School currently holds its deposit accounts at two institutions. At June 30, 2025, these accounts total \$642,906. Amounts deposited above the FDIC insured amount total \$195,153. The School does not anticipate any losses associated with these accounts.

Capital Assets and Depreciation

The School's capitalization threshold is \$1,000. Capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation or amortization. Depreciation is computed using the straight-line method over three years, with a half-year convention, for furniture, fixtures and equipment, computer hardware and software. Amortization of leasehold improvements will be charged over the remaining life of the lease.

Net Position and Fund Balance Classifications - Government-Wide Financial Statements

Net Position is classified and reported in four components.

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements

For the Year Ended June 30, 2025

(continued)

2. Summary of Significant Accounting Policies (continued)

Net Position and Fund Balance Classifications - Fund Financial Statements

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

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

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

Order of Fund Balance Spending Policy

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

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. In accordance with the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (“FDOE”) for funding through the Florida Education Finance Program (FEFP). During the year, funding is adjusted to reflect the revised calculations by 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. The District receives, from the School, a 5% administrative fee for the first 250 students, which is included as central services in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements

For the Year Ended June 30, 2025

(continued)

2. Summary of Significant Accounting Policies – Revenue Sources (continued)

The School is eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net assets and restricted fund balance in the accompanying Statement of Net Position and Balance Sheet – Governmental Fund, respectively. All capital outlay funds received were used for lawful capital outlay expenditures during FY25.

The Board of Directors has authorized contributions from Palm Acres Charter High School to City of Palms Charter High School. Both schools are operated by a common board and are located within the same Florida county school district.

Income Taxes

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to federal and/or state income taxes.

The School regularly assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service ("IRS") or the applicable state taxing authority. Accordingly, there is no provision for federal or for state income taxes in the financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. The School's income tax returns for the past three tax years are subject to examination by tax authorities, and may change upon examination.

Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Significant estimates include depreciation/amortization of capital assets, interest rates utilized in calculating present value of "right-of-use" assets – including SBITA and the allocation of certain expenses to the three related schools based upon enrollment. Actual results could differ from those estimates.

Subsequent Events

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through September 17, 2025, which is the date the financial statements were available to be issued. The Board of Directors of City of Palms Charter High School, Inc. has signed a new 5-year lease with a 5-year option that changes which units within the office park complex that the School will be growing into. During buildout of the new space, the School will be renting the old space through December 31, 2025.

The Board has entered into an agreement to participate in a lawsuit requesting the Lee County School Board share with Lee County charter schools revenues collected from the half-percent sales tax increase previously enacted.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements

For the Year Ended June 30, 2025

(continued)

3. Related Party Transactions

In March 2014, the Board of Directors of City of Palms Charter High School, Inc. received approval from the School District of Lee County to open Palm Acres Charter High School in August 2014 in Lehigh Acres. In April 2015, the Board received approval from the School District to open and operate Northern Palms Charter High School in North Fort Myers in August 2015. During the routine course of business, invoices and payroll which apply to all schools may be paid by a single entity. Also, the school with surplus funds may pay expenses on behalf of other related schools. The school tracks these amounts due to or from each related entity or school separately.

At June 30, 2025, total amounts receivable to City of Palms Charter High School by related school, Northern Palms Charter High School, equals \$288,479. Amounts payable to the other related school, Palm Acres Charter High School, by City of Palms Charter High School equal \$635,100. In addition, general accounts payable of \$15,262 are included as current liabilities. These amounts are included in the accompanying statements of net position and balance sheet – governmental funds. The Board of Directors of City of Palms Charter High School, Inc. passed resolutions during FY25 and FY24 authorizing contributions in the amounts of \$150,000 and \$20,000, respectively, to City of Palms Charter High School from Palm Acres Charter High School.

4. Fair Value Measurements

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

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

- Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2:* Inputs other than quoted market prices included within Level 1 that are observable for an assets or liability, either directly or indirectly.
- Level 3:* Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements

For the Year Ended June 30, 2025

(continued)

5. Accounts Receivable

At June 30, 2025, general accounts receivable of \$62,748 (18%) is represented by capital outlay funds \$2,055, FEFP funds receivable of \$57,343, and other miscellaneous receivables of \$3,350. The balance of accounts receivable of \$288,479 (82%) is represented by amounts owed to the School by related party – Northern Palms Charter High School at year-end (See Note 3). Based on the sources of these funds, management has evaluated the collectability and an allowance for doubtful accounts is not considered necessary.

6. Other Current Assets

Other current assets total \$44,509 and are comprised of prepaid software of \$20,494 (46%), prepaid insurance of \$14,313 (32%), security deposit of \$3,763 (8%), prepaid rent of \$2,957 (7%), and other prepaid expenses of \$2,982 (7%).

7. Capital Assets and Depreciation

For the year ended June 30, 2025, the School's capital assets consisted of the following:

	Beginning Balance	Additions	(Disposals)	Ending Balance
Capital assets being depreciated:				
Furniture, fixtures and equipment	\$ 25,351	\$ 35,104	\$ -	\$ 60,455
Computer hardware	93,680	-	-	93,680
Computer software	6,880	-	(6,880)	-
Leasehold improvements	18,680	12,277	-	30,957
Total	144,591	47,381	(6,880)	185,092
Less accumulated depreciation:				
Furniture, fixtures + equipment	\$ 20,893	\$ 8,975	\$ -	\$ 29,868
Computer hardware	69,890	9,516	-	79,406
Computer software	6,880	-	(6,880)	-
Leasehold improvements	12,309	16,612	-	28,921
Total	109,972	35,103	(6,880)	138,195
Net capital assets	\$ 34,619	\$ 12,278	\$ -	\$ 46,897

Depreciation / amortization expense of \$35,103 was charged to the following functions in the accompanying Statement of Activities:

Instruction-Related Technology	\$ 12,722
Administrative	5,769
Operations	16,612
Total depreciation expense	<u>\$ 35,103</u>

8. Accounts Payable

Total current accounts payable of \$693,700 are represented by accrued salaries of \$43,339 (6%), other operating accounts payable of \$15,261 (2%) and intercompany accounts payable due to Palm Acres Charter High School of \$635,100 (92%).

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements

For the Year Ended June 30, 2025

(continued)

9. Right-of-use assetsRight-of-use lease asset and lease note payable

On July 1, 2022, the School entered into a lease agreement with WBCMT 2007-C31 Winkler Avenue, LLC (Landlord) for the use of building facilities through July 31, 2025. Adhering to the requirements of GASB 87, the School recorded the following right-of-use lease asset, related amortization expense and lease note payable liability by restating prior year financial statements. As of June 30, 2024, the School planned to execute a 2-year option to renew the lease through July 31, 2027. However, instead of taking the 2-year option, a new 5-year lease with a 5-year option that incorporated moving space within the office park was signed to take effect on August 1st, 2025. Balances related to the right-of-use lease asset and lease note payable were adjusted to reflect the lease changes at June 30, 2025 as follows:

Right-of-use lease asset - beginning of year	\$ 400,088
Reversal of 2-Yr Option	(164,682)
Addition of new lease	1,037,642
<u>Right-of-use lease asset - end of year</u>	<u>1,273,048</u>
Accumulated amortization - beginning of year	(157,412)
Amortization expense	(71,632)
<u>Accumulated amortization - end of year</u>	<u>(229,044)</u>
<u>Right-of-use asset - net</u>	<u>\$ 1,044,004</u>

Information regarding the School's lease note payable during the year ended June 30, 2025 is as follows:

Lease note payable - beginning of year	\$ 261,992
Reversal of 2-Yr Option	(180,212)
Addition of new lease	1,037,672
<u>FY25 principal payments</u>	<u>(81,345)</u>
<u>Lease note payable - end of year</u>	<u>\$ 1,038,107</u>

Interest expense related to the amortization of the lease note payable is \$12,925 for FY25 and is included as interest expense as part of administrative expenses. Amortization of the right-of-use asset was calculated on a straight-line basis, charged to governmental activities and included within the operation of plant.

Future Minimum Payments: Right-of-use Lease Asset:

In May 2025, the School entered into a new lease agreement with Metro Gardens Office Partners, LLC (Landlord) for continued use of building facilities through July 31, 2030. This lease contains a 5-Yr renewal option. Future minimum lease payments under this agreement, as well as future minimum payments under the lease agreements for Palm Acres Charter High School and Northern Palms Charter High School are shown on the page following.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements

For the Year Ended June 30, 2025

(continued)

9. Right-of-use assets (continued)Future Minimum Payments: Right-of-use Lease Asset

	City of Palms Charter HS			Palm Acres Charter HS			Northern Palms Charter HS		
	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL
FY26	\$ 91,630	36,030	\$ 127,660	\$ 70,272	\$ 24,748	\$ 95,020	\$ 63,182	\$ 9,152	\$ 72,334
FY27	87,506	31,234	118,740	72,384	25,490	97,874	62,762	10,238	73,000
FY28	91,395	32,093	123,488	74,557	26,255	100,812	64,463	10,545	75,008
FY29	95,372	33,056	128,428	76,792	27,042	103,834	66,396	10,861	77,257
FY30	99,518	34,048	133,566	12,679	4,711	17,390	68,390	11,187	79,577
FY31	103,840	35,069	138,909	-	-	-	6,599	48	6,647
FY32	108,344	36,121	144,465	-	-	-	-	-	-
FY33	113,039	37,205	150,244	-	-	-	-	-	-
FY34	117,933	38,321	156,254	-	-	-	-	-	-
FY35	123,035	39,470	162,505	-	-	-	-	-	-
FY36	6,495	7,091	13,586	-	-	-	-	-	-
TOTAL	\$ 1,038,107	\$ 359,738	\$ 1,397,845	\$ 306,684	\$ 108,246	\$ 14,930	\$ 331,792	\$ 52,031	\$ 383,823

	TOTAL		
	Principal	Interest	TOTAL
FY26	225,084	69,930	295,014
FY27	222,652	66,962	289,614
FY28	230,415	68,893	299,308
FY29	238,560	70,959	309,519
FY30	180,587	49,946	230,533
FY31	110,439	35,117	145,556
FY32	108,344	36,121	144,465
FY33	113,039	37,205	150,244
FY34	117,933	38,321	156,254
FY35	123,035	39,470	162,505
FY36	6,495	7,091	13,586
TOTAL	\$ 1,676,583	\$ 520,015	\$ 2,196,598

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements

For the Year Ended June 30, 2025

(continued)

9. Right-of-use assets (continued)Right-of-use SBITA asset and SBITA payable

In June 2023, the School entered into a 5-year agreement with Edmentum, Inc. to provide on-line curriculum courses for students enrolled at all three schools operated by City of Palms Charter High School, Inc. Adhering to the requirements of GASB 96, the School recorded the following right-of-use SBITA asset, related amortization expense and the note payable liability in the current year. Balances related to the right-of-use SBITA asset and related note payable are as follows:

Right-of-use SBITA asset	\$ 51,757
Accumulated amortization	(20,702)
<u>Right-of-use SBITA asset, net</u>	<u>\$ 31,055</u>

Information regarding the School's SBITA note payable during the year ended June 30, 2025 is as follows:

SBITA note payable – beginning of year	\$ 41,310
FY25 principal payments	(10,424)
<u>SBITA payable - end of year</u>	<u>\$ 30,866</u>

Interest expense related to the amortization of the SBITA note payable is \$1,576 for FY25 and is included as interest expense as part of administrative expenses. Amortization of the right-of-use asset was calculated on a straight-line basis, charged to governmental activities and included within instructional expenses.

Future Minimum Payments: Right-of-use SBITA Asset

Future payments under the SBITA agreement are as follows:

	TOTAL		
	Principal	Interest	TOTAL
FY26	\$ 10,377	1,623	\$ 12,000
FY27	10,328	1,672	12,000
FY28	10,181	1,819	12,000
<u>TOTAL</u>	<u>\$ 30,886</u>	<u>\$ 5,114</u>	<u>\$ 36,000</u>

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements

For the Year Ended June 30, 2025

(continued)

10. Schedule of State and Local Revenue Sources

For the year ended June 30, 2025, state and local revenues were received as follows:

Florida Education Finance Program	\$ 552,817
Discretionary millage	98,065
Class size reduction	94,378
Capital Outlay	55,311
Local capital improvement revenue	54,175
Education enrichment allocation	35,344
School improvement Grant	30,213
ESE guaranteed allocation	10,599
Safe schools	8,535
Student transportation	6,200
Mental health assistance allocation	5,978
E-Rate reimbursements	4,987
Education enrollment stabilization program	3,780
Interest income	2,982
Miscellaneous	812
Prior year revenue adjustment	11
Proration to funds available	(6,696)
Total	<u>\$ 957,491</u>

The administration fee paid to the District during the year ended June 30, 2025 totaled \$40,450. The fee is reflected as central services in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund.

11. Educational Management Providers

Beginning fiscal year 2012, the Board of Directors entered into a contract with Consulting and Professional Assistance, Inc. (CPA's) to provide business services to the School. The Board of Directors operates the School independently. CPA's works with the Principal to manage the School on a day-to-day basis. The Principal primarily oversees academics and CPA's oversees business operations. Fees of \$172,367 are reflected as school administration in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

12. Risk Management

The School is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School is in compliance with coverage parameters dictated by the charter contract with the District.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements

For the Year Ended June 30, 2025

(continued)

13. Contingencies

Grants

The School participates in state and federal grant programs which are governed by various rules and regulation of the grantor agencies. Cost charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at year end may be impaired.

Management believes there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal matters

In the normal course of conducting its operations, the School may become party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Required Supplementary Information
Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2025

	Budget	Actual	Variance
<i>Enrollment</i>	<i>103</i>	<i>96</i>	<i>(7)</i>
Revenues			
FL Educational Finance Program - FEFP	\$ 865,000	\$ 809,011	\$ (55,989)
Local capital improvement revenue	54,175	54,175	-
Capital outlay	55,309	55,311	2
Contribution	-	150,000	150,000
Contributions and other revenues	8,776	38,994	30,218
Total revenues	983,260	1,107,491	124,231
Expenditures			
Instruction	305,233	296,009	(9,224)
Instructional support services	75,768	89,735	13,967
Board	20,000	21,803	1,803
School administration	418,497	402,495	(16,002)
Central services	43,250	40,450	(2,800)
Pupil transportation services	3,500	1,884	(1,616)
Operation of plant	293,000	169,928	(123,072)
Maintenance of plant	2,700	12,301	9,601
Capital outlay	-	47,381	47,381
Right-of-use assets	-	121,770	121,770
Total expenditures	1,161,948	1,203,756	41,808
Change in fund balance from operations	(178,688)	(96,265)	82,423
Transfer from special revenues fund	-	78,690	78,690
Transfer from debt service fund	-	15,500	15,500
Fund balances at beginning of year	347,017	347,017	-
Fund balances at end of year	\$ 168,329	\$ 344,942	\$ 176,613

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Required Supplementary Information
Budgetary Comparison Schedule – Special Revenues Fund

For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Federal sources - Grant funds	<u>\$ 131,940</u>	<u>\$ 131,942</u>	<u>\$ 2</u>
Total revenues	<u>131,940</u>	<u>131,942</u>	<u>2</u>
Expenditures			
Instruction	21,767	21,767	-
Instructional support services	19,232	19,232	-
School administration	12,253	12,253	-
Total expenditures	<u>53,252</u>	<u>53,252</u>	<u>-</u>
Excess of revenues over expenditures	78,688	78,690	2
Transferred to general fund	78,688)	(78,690)	(2)
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based
On an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

To the Board of Directors of City of Palms Charter High School, Inc. *dba* City of Palms Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida,

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund for the City of Palms Charter High School, Inc. *dba* City of Palms Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida (the "School"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 17, 2025.

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) to determine the 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 School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management of the School, the District School Board of Lee County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

McCrady and Associates, PLLC

Altamonte Springs, Florida
September 17, 2025

107 Water Oak Lane | Altamonte Springs, FL 32714
Office 407-960-4429 admin@mccradyandassociates.com
www.mccradyandassociates.com

Members of American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants

ADDITIONAL INFORMATION REQUIRED BY RULES OF
THE AUDITOR GENERAL, CHAPTER 10.850
AUDITS of CHARTER SCHOOLS and SIMILAR ENTITIES



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of City of Palms Charter High School, Inc. *dba* City of Palms Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida,

Report on the Financial Statements

We have audited the financial statements of City of Palms Charter High School, Inc. *dba* City of Palms Charter High School (the "School") as of and for the fiscal year ended June 30, 2025, and have issued our report thereon dated September 17, 2025.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, if applicable, which is dated September 17, 2025 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 are no prior audit findings to report upon.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity be disclosed in this management letter. The official title of the entity is City of Palms Charter High School, Inc. *dba* City of Palms Charter High School.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Financial Condition and Management (continued)

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Lee County School Board, 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.

McCrady and Associates, PLLC

Altamonte Springs, Florida
September 17, 2025

107 Water Oak Lane | Altamonte Springs, FL 32714
Office 407-960-4429 admin@mccradyandassociates.com
www.mccradyandassociates.com

Members of American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants