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, 2026

M&A McCrady & Associates
Certified Public Accountants

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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, 2026. 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, 2026 represents the 20th year of operations for the School. For the first five years of operation, the School was operated as "Life Skills Center – Lee County, Inc." by a national educational management provider. Upon termination of that agreement in July 2011, the Corporation and the School changed names officially to "City of Palms Charter High School, Inc." operating "City of Palms Charter High School". In June 2026, the School District of Lee County approved renewal of the School's contract for 10 years, through June 30, 2036. The Principal whose responsibility is to oversee educational aspects of the School and the local educational service provider, Consulting + Professional Assistance, Inc., whose responsibility is manage all business operations related to the School have both worked for the School since 2006. The School is related to Palm Acres Charter High School and Northern Palms Charter High School, also located in Lee County, 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 $44,044 (net position). This is a decrease of $353,861 from the prior year when assets exceeded liabilities by $397,905. FY26 enrollment was severely affected throughout the year as many students and their families were impacted by actions of I.C.E (Immigrations and Customs Enforcement). Whether families or family members were deported, detained, in hiding, or moving, many students did not return for the new school year. Average enrollment decreased from 96 in FY25 to 91 in FY26 – a 5% decrease in overall enrollment. At the end of FY25, the School entered into an agreement with the landlord to expand the School into space with exposure to the main road. Rent was paid during FY26 on all spaces as buildout was planned. Unfortunately, the move was abandoned as unanticipated costs to sprinkler the new space and bring the suppression system to the office complex far exceeded budget. By the end of FY26, the long-term lease for the new space had been terminated and a lease for current space was rewritten beginning June 1, 2026. The increase in rent expense and related costs was nearly of $90,000 during FY26.

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 – Change in Net Position

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 financial position.

Statement of Net Position

	2026	2025	Increase (Decrease)
Assets			
Current assets	$ 1,284,551	$ 1,038,642	$ 245,909
Capital assets, net	37,154	46,897	(9,743)
Right to use assets - net	965,490	1,075,059	(109,569)
Total assets	$ 2,287,195	$ 2,160,598	$ 126,597
Liabilities			
Current liabilities	$ 1,276,108	$ 693,700	$ 582,408
Lease payable	946,534	1,038,107	(91,573)
SBITA payable	20,509	30,886	(10,377)
Total liabilities	$ 2,243,151	$ 1,762,693	$ 480,458
Net Assets			
Invested in capital assets	$ 37,154	$ 46,897	$ (9,743)
Invested in right to use assets	(1,553)	6,066	(7,619)
Unrestricted	8,443	344,942	(336,499)
Total net position	$ 44,044	$ 397,905	$ (353,861)

The increase in current assets of $245,909 is represented by a decrease in cash of $114,306, an increase in accounts receivable from related parties of $443,469, a decrease in state funding receivables of $48,966, and a decrease in prepaid expenses of $34,288.

Net capital assets are represented by computer hardware (46%), furniture and equipment (36%), computer software (1%) and leasehold improvements (17%).

At June 30, 2026, current liabilities of $1,276,108 are comprised of $54,284 (4%) accrued payroll expenses, $1,195,973 (94%) related party transactions (Note 3) and $25,851 (2%) general operating accounts payable. The increase in current liabilities of $582,408 is directly related to the 84% increase in intercompany accounts payable of $560,873.

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 signed a new 5-year lease with a 5-year option for Units 201-203 and 117-118. An amendment was made to this lease to extend the use of Unit 205 through December 2025 pending completion of renovations to the new units. During FY26, it was determined that costs related to installation of a fire suppression system to the office park and new units was not feasible. The School was able to work with the landlord to terminate the long-term lease for Units 117-118 and entered into a new long-term lease for the original spaces (201-203,205) beginning June 1, 2026. Entries to record the changes in capitalized lease assets and their related notes payable were made during FY26 resulting in a net decrease to capitalized lease assets of $99,218.

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.

Government-Wide Financial Statements – Statement of Activities

The table below provides a comparative summary of School's changes revenues and expenses for FY26 and FY25.

Federal sources:

- ESSER III grant funds received decreased by $132,000 (100%) as the last payments were received during FY25.

State and Local Sources:

- Revenues from the Florida Education Finance Program (FEFP) decreased by $36,305, commensurate with the decrease of 5% in enrollment from FY25. 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 FY26 and FY25, the School was paid for 91 and 96 students, respectively.
- State capital outlay funding increased by $6,360 (11%) due to changes in statewide allocation ratios.
- In 2019, a referendum was passed by the voters of Lee County to increase local sales tax by .5% for 10 years with proceeds to benefit the Lee County School District. The District began sharing these revenues with the School in January 2026. Funds received during FY26 equal $58,475.
- Local capital improvement funds increased by just over $20,000 (37%) from $54,175 in FY25 to $74,270 in FY26.
- The intercompany contribution was decreased by $50,000 from $150,000 in FY25 to $100,000 in FY26.
- A decrease of $31,000 in other revenues is attributable to the School not being awarded a School Improvement Grant during FY26. This was offset by increases of $3,800 from other local grant revenues and interest.

Total revenues decreased by $160,500 (13%) due primarily to the end of federal ESSER grant funding. Net expenses increased by $228,850 (19%) resulting in a net loss of $323,861 for FY26.

Change in Net Position - Statement of Activities

	2026	2025	Increase (Decrease)
Revenues			
Federal sources	$ -	$ 131,942	$ (131,942)
State and local sources - FEFP	772,706	809,011	(36,305)
Capital outlay	61,671	55,311	6,360
Sales tax referendum	58,475	-	58,475
Local capital improvement	74,270	54,175	20,095
Contributions and other revenues	111,811	188,994	(77,183)
Total revenues	1,078,933	1,239,433	(160,500)
Expenses			
Instruction	374,006	328,127	45,879
Instructional support services	147,703	102,457	45,246
Board	34,555	21,803	12,752
School administration	481,194	434,928	46,266
Central services	36,273	40,450	(4,177)
Pupil transportation services	3,810	1,884	1,926
Operation of plant	348,958	261,994	86,964
Maintenance of plant	6,295	12,301	(6,006)
Total expenses	1,432,794	1,203,944	228,850
Change in net position	$ (353,861)	$ 35,489	$ (389,350)

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 is used to 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 $8,443 – a $291,990 (97%) decrease from the prior year's ending unassigned fund balance of $300,433. The change is primarily the result of abandoned expansion plans.

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 90 students. The School was paid on an enrollment of 91.

Capital Assets

The School had $37,154 and $46,897 invested in capital assets at June 30, 2026 and 2025 respectively. The capitalization threshold for classification of long-term assets is $1,000.

(Net of Depreciation)

	2026	2025	Increase (Decrease)
Leasehold improvements	$ -	$ 2,036	$ (2,036)
Furniture, fixtures and equipment	30,708	30,587	121
Computer hardware	4,758	14,274	(9,516)
Computer software	1,688	-	1,688
Total	$ 37,154	$ 46,897	$ (9,743)

"Right to Use" Assets
(Net of Amortization)

	2026	2025	Increase (Decrease)
"Right to Use" asset - Capital lease	$ 944,786	$ 1,044,004	$ (99,218)
"Right to Use" asset - SBITA	20,704	31,055	(10,351)
Total	$ 965,490	$ 1,075,059	$ (109,569)

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 $944,786 and a lease liability of $946,534.

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 $20,704 and a related liability of $20,509.

Information related to the changes in the right-of-use capital lease assets and liabilities and the right-of-use SBITA assets and liability is presented in Note 9.

Current Financial Statements

This fiscal year was the tenth 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. The School's contract was renewed for a second time in 2016 for ten years beginning July 1, 2016 and ending June 30, 2026. During FY26, the School's contract was renewed for a third time for another ten years beginning July 1, 2026.

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 FY26 are approximately $1,563,000, an increase of 45% over FY26 actual amounts. The increase is due to anticipated increases in enrollment and sales tax referendum revenues. Projected FY27 enrollment is 140. Actual FY26 enrollment was 91. Budgeted expenditures are $1,463,000, an increase of 2% from FY26 actual amounts. If the above estimates are realized, governmental funds are expected to increase by approximately $100,000 by the end of FY27.

McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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, 2026, 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, 2026, 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 and 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, forger, 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 30, 2026, 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 30, 2026

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, 2026

	Governmental Activities
Assets	
Cash and cash equivalents	$ 528,600
Accounts receivable	745,730
Other assets	10,221
Right-of-use assets:	
Right-of-use lease asset	952,725
Right-of-use SBITA asset	51,757
Less accumulated amortization	(38,992)
Total right-of-use assets, net	965,490
Capital assets:	
Furniture, fixtures and equipment	72,474
Computer hardware	93,680
Computer software	2,025
Leasehold improvements	34,957
Less accumulated depreciation	(165,982)
Total capital assets, net	37,154
Total assets	$ 2,287,195
Liabilities	
Accounts payable and accrued expenses	$ 1,276,108
Long-term liabilities:	
Portion due or payable within one year:	
Lease payable	77,671
SBITA payable	10,328
Portion due or payable after one year:	
Lease payable	868,863
SBITA payable	10,181
Total liabilities	2,243,151
Net Position	
Invested in capital assets, net of related debt	$ 37,154
Invested in right-of-use assets, net of related debt	(1,553)
Unrestricted	8,443
Total net position	$ 44,044

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, 2026

	Expenses	Capital Grants	Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities
Governmental activities:			
Instruction	$ 374,006	$ 8,434	$ (365,572)
Instructional support services	147,703	2,927	(144,776)
Board	34,555	-	(34,555)
School administration	481,194	-	(481,194)
Central services	36,273	-	(36,273)
Transportation	3,810	-	(3,810)
Operation of plant	348,958	72,209	(276,749)
Maintenance of plant	6,295	-	(6,295)
Total primary government	$ 1,432,794	$ 83,570	(1,349,224)
State and local sources			883,552
Contribution			100,000
Other revenues			11,811
Total general revenues			995,363
Change in net position from operations			(353,861)
Net position at beginning of year			397,905
Net position at end of year			$ 44,044

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 Funds

June 30, 2026

	General Fund	Special Revenue Fund	Capital Outlay Fund	Total Governmental Funds
Assets				
Cash	$ 417,754	$ 74,270	$ 36,576	$ 528,600
Accounts receivable	745,730	-	-	745,730
Other assets	10,221	-	-	10,221
Total assets	$ 1,173,705	$ 74,270	$ 36,576	$ 1,284,551
Liabilities				
Accrued payroll	$ 54,284	$ -	$ -	$ 54,284
Accounts payable	1,221,824	-	-	1,221,824
Total liabilities	1,276,108	-	-	1,276,108
Fund Balance				
Nonspendable:				
Restricted	10,221	-	-	10,221
Spendable:				
Unassigned	(112,624)	74,270	36,576	(1,778)
Total fund balance	(102,403)	74,270	36,576	8,443
Total liabilities and fund balance	$ 1,173,705	$ 74,270	$ 36,576	$ 1,284,551

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
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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, 2026

Total fund balance - governmental fund	$	8,443
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		203,136
Accumulated depreciation		(165,982)
Right-of-use lease asset		952,725
Right-of-use SBITA asset		51,757
Accumulated amortization		(38,992)
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		(946,534)
SBITA note payable		(20,509)
Total net position - governmental activities	$	44,044

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
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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, 2026

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
State and local sources	$ 772,706	$ -	$ -	$ -	$ 772,706
Capital outlay funds	-	-	61,671	-	61,671
Sales tax referendum	-	-	58,475	-	58,475
Local capital improvement	-	74,270	-	-	74,270
Contribution	100,000	-	-	-	100,000
Other revenues	11,811	-	-	-	11,811
Total revenues	884,517	74,270	120,146	-	1,078,933
Expenditures					
Instruction	356,844	-	8,434	-	365,278
Instructional support services	128,513	-	2,927	-	131,440
Board	34,555	-	-	-	34,555
School administration	392,572	-	-	-	392,572
Central services	36,273	-	-	-	36,273
Transportation	3,810	-	-	-	3,810
Operation of plant	202,961	-	72,209	-	275,170
Maintenance of plant	6,295	-	-	-	6,295
Capital outlays	21,809	-	-	-	21,809
Right-of-use assets	165,243	-	-	-	165,243
Debt Service					
Principal	-	-	-	108,198	108,198
Interest	-	-	-	40,032	40,032
Total expenditures	1,348,875	-	83,570	148,230	1,580,675
Change in fund balance from operations	(464,358)	74,270	36,576	(148,230)	(501,742)
Change in issuance of debt	-	-	-	165,243	165,243
Transfers	17,013	-	-	(17,013)	-
Total change in fund balance	(447,345)	74,270	36,576	-	(336,499)
Fund balance at beginning of year	344,942	-	-	-	344,942
Fund balance at end of year	$ (102,403)	$ 74,270	$ 36,576	$ -	$ 8,443

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, 2026

Net changes in fund balance - total governmental funds	$ (336,499)
Amounts reported for governmental activities in the statement of activities are different because:	
Proceeds from issuance of debt:	
Right-of-use lease note payable	153,243
Right-of-use SBITA payable	12,000
Increase in right-of-use assets:	
Right-of-use lease asset	(153,243)
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	97,821
Right-of-use lease note payable - cumulative adjustment related to issuance of debt	17,013
Right-of-use SBITA payable	10,377
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:	(132,830)
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	21,809
Depreciation / amortization expense	(31,552)
Change in net position of governmental activities	$ (353,861)

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

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 during FY26 for an additional ten years beginning July 1, 2026 ending June 30, 2036.

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 June 2022, the GASB issued Statement No. 101, Compensated Absences. This statement establishes accounting and financial reporting requirements for compensated absences, including vacation, sick leave, and paid time off, and associated salary-related payments. A liability is generally recognized for leave attributable to services already rendered that accumulates and is more likely than not to be used, paid, or otherwise settled. A liability is also recognized for leave that has been used but not yet paid or settled. The statement is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Because School employees, salaries, and related liabilities are the responsibility of the management company, the School has not included a liability for compensated absences in accrued expenses.

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. This statement requires governments to disclose concentrations or constraints that make them vulnerable to a substantial impact when an associated event has occurred or is more likely than not to occur within 12 months after the financial statement date. The statement is effective for City of Palms Charter High School, Inc. dba Palm Acres Charter High School - A Charter School and Component Unit of the District School Board of Lee County, Florida fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The School evaluated the requirements of this statement and determined that it did not have a material effect on its financial statements.

1. Description of School and Reporting Entity - Recently Issued Accounting Pronouncements - continued

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. This statement improves key components of the financial reporting model, including management's discussion and analysis, unusual or infrequent items, proprietary fund statements, major component units, and budgetary comparison information. The statement is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

In September 2024, the GASB issued Statement No. 104, Disclosure of Certain Capital Assets. This statement requires certain capital assets, including right-to-use lease assets, subscription assets, and other intangible right-to-use assets, to be disclosed separately by major class of underlying asset. It also establishes disclosure requirements for capital assets held for sale. The statement is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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.

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. 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, 2026, these accounts total $528,600. Amounts deposited above the FDIC insured amount total $237,171. 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".

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.

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

The School is eligible for charter school capital outlay funding. 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 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 FY26.

In January 2026, the District began sharing the one-half percent sales tax increase passed by the voters to fund capital projects. The funds are distributed to the School based upon an estimate that will be reconciled during FY27. In addition, the District distributed a lump-sum amount, also to be used for capital projects, based upon millage. Both of these revenue streams are anticipated to continue until at least FY29 when the sales tax referendum expires.

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 30, 2026, which is the date the financial statements were available to be issued.

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, 2026, total amounts receivable to City of Palms Charter High School by related school, Northern Palms Charter High School, equals $731,948. Amounts payable to the other related school, Palm Acres Charter High School, by City of Palms Charter High School equal $1,196,973. In addition, general accounts payable of $25,851 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 FY26 and FY25 authorizing contributions in the amounts of $100,000 and $150,000, 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.

5. Accounts Receivable

At June 30, 2026, general accounts receivable of $13,782 (2%) is represented by an anticipated refund of $12,382 (90%) for equipment not needed and $1,400 (10%) for other miscellaneous receivables. The balance of accounts receivable of $731,948 (98%) 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 $10,221 and are comprised of security deposit of $3,763 (37%), prepaid rent of $5,459 (53%), and prepaid bus passes and other expenses of $999 (10%).

7. Capital Assets and Depreciation

For the year ended June 30, 2026, the School's capital assets consisted of the following:

	Beginning Balance	Additions	(Disposals)	Ending Balance
Capital assets being depreciated:				
Furniture, fixtures and equipment	$ 60,455	$ 15,784	$ (3,765)	$ 72,474
Computer hardware	93,680	-	-	93,680
Computer software	-	2,025	-	2,025
Leasehold improvements	30,957	4,000	-	34,957
Total	185,092	21,809	(3,765)	203,136
Less accumulated depreciation:				
Furniture, fixtures + equipment	$ 29,868	$ 15,663	$ (3,765)	$ 41,766
Computer hardware	79,406	9,516	-	88,922
Computer software	-	337	-	337
Leasehold improvements	28,921	6,036	-	34,957
Total	138,195	31,552	(3,765)	165,982
Net capital assets	$ 46,897	$ (9,743)	$ -	$ 37,154

Depreciation / amortization expense of $31,552 was charged to the following functions in the accompanying Statement of Activities:

Instruction-Related Technology	$ 16,263
Administrative	8,558
Operations	6,731
Total depreciation expense	$ 31,552

8. Accounts Payable

Total current accounts payable of $1,276,108 are represented by accrued salaries of $54,284 (4%), other operating accounts payable of $25,851 (2%) and intercompany accounts payable due to Palm Acres Charter High School of $1,195,973 (94%).

9. Right-of-use assets

Right-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. Due to unanticipated fire suppression costs, that lease was cancelled effective May 31, 2026. Another new 5-year with a 5-year option beginning June 1, 2026 was signed for the original school space. Balances related to the right-of-use lease asset and lease note payable were adjusted to reflect the lease changes at June 30, 2026 as follows:

Right-of-use lease asset - beginning of year	$ 1,273,048
Reversal of cancelled leases	(1,273,048)
Addition of new lease	952,725
Right-of-use lease asset - end of year	952,725
Accumulated amortization - beginning of year	(229,004)
Amortization expense	(221,105)
Accumulated amortization - end of year	(7,939)
Right-of-use asset - net	$ 944,786

Information regarding the School's lease note payable during the year ended June 30, 2026 is as follows:

Lease note payable - beginning of year	$ 1,038,107
Reversal cancelled lease	(946,477)
Addition of new lease	952,725
FY26 principal payments	(97,821)
Lease note payable - end of year	$ 946,534

Interest expense related to the amortization of the lease note payable is $38,409 for FY26 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 2026, the School entered into a new lease agreement with Metro Gardens Office Partners, LLC (Landlord) for continued use of building facilities through May 31, 2031. This lease contains a 5-Yr renewal option. All previous leases were terminated during FY26. Future minimum lease payments under the current 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.

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
FY27	$ 7,671	$ 28,939	$ 106,611	$ 73,596	$ 22,404	$ 96,000	$ 127,712	$ 125,288	$ 253,000
FY28	81,068	29,808	110,875	72,924	23,076	96,000	124,936	171,147	296,083
FY29	84,608	30,702	115,310	72,232	23,768	96,000	142,175	176,225	318,400
FY30	88,300	31,623	119,923	71,519	24,481	96,000	157,008	181,512	338,520
FY31	92,565	32,572	125,137	70,784	25,216	96,000	168,502	186,958	355,460
FY32	97,011	33,549	130,559	70,028	25,972	96,000	180,674	192,566	373,240
FY33	101,226	34,555	135,782	69,249	26,751	96,000	188,477	198,343	386,820
FY34	105,621	35,592	141,213	68,446	27,554	96,000	194,106	204,294	398,400
FY35	110,202	36,660	146,861	11,200	4,800	16,000	199,878	210,422	410,300
FY36	108,262	31,281	139,543	-	-	-	205,869	216,735	422,604
FY37+	-	-	-	-	-	-	3,940,501	3,896,763	7,837,264
TOTAL	$ 946,534	$325,279	$ 1,271,813	$ 579,978	$ 204,022	$ 784,000	$ 5,629,838	$ 5,760,253	$ 11,390,091

	All Schools – Combined TOTAL		
	Principal	Interest	TOTAL
FY27	$ 278,979	$ 176,631	$ 455,611
FY28	278,928	224,031	502,958
FY29	299,015	230,695	529,710
FY30	316,827	237,616	554,443
FY31	331,851	244,746	576,597
FY32	347,713	252,087	599,799
FY33	358,952	259,649	618,602
FY34	368,173	267,440	635,613
FY35	321,280	251,882	573,161
FY36	314,131	248,016	562,147
FY37+	3,940,501	3,896,763	7,837,264
TOTAL	$ 7,156,350	$ 6,289,554	$ 13,445,904

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	(31,053)
Right-of-use SBITA asset, net	$ 20,704

Information regarding the School's SBITA note payable during the year ended June 30, 2026 is as follows:

SBITA note payable – beginning of year	$ 30,886
FY26 principal payments	(10,424)
SBITA payable - end of year	$ 20,509

Interest expense related to the amortization of the SBITA note payable is $1,623 for FY26 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
FY27	$ 10,328	$ 1,672	$ 12,000
FY28	10,181	1,819	12,000
TOTAL	$ 20,509	$ 3,491	$ 24,000

10. Schedule of State and Local Revenue Sources

For the year ended June 30, 2026, state and local revenues were received as follows:

Florida Education Finance Program	$	509,401
Contribution		100,000
Discretionary millage		96,428
Class size reduction		86,973
Local capital improvement revenue		74,270
Capital outlay revenue		61,671
Sales Tax Referendum		58,475
Education enrichment allocation		33,374
ESE guaranteed allocation		19,214
Student transportation		8,775
Safe schools		8,286
Mental health assistance allocation		5,794
E-Rate reimbursements		5,606
Prior year revenue adjustment		4,461
Early graduation revenue		3,400
Interest income		2,725
Speed zone revenue		80
Total	$	1,078,933

The administration fee paid to the District during the year ended June 30, 2026 totaled $36,273. The fee is reflected as central services in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Funds.

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 $166,759 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.

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, 2026

	Original Budget	*Change*	Amended Budget	Actual	*Variance*
Enrollment	*150*	*(60)*	*90*	*91*	*1*
Revenues					
Federal sources	$ 5,000	*$ (5,000)*	$ -	$ -	*$ -*
FL Educational Finance Program - FEFP	1,240,000	*(468,000)*	772,000	772,706	*706*
Contributions and other revenues	50,000	*60,000*	110,000	111,811	*1,811*
Total revenues	1,295,000	*(413,000)*	882,000	884,517	*2,517*
Expenditures					
Instruction	340,000	*10,000*	350,000	356,844	*6,844*
Instructional support services	120,000	*10,000*	130,000	128,513	*(1,487)*
Board	20,000	*15,000*	35,000	34,555	*(445)*
School administration	453,000	*(53,000)*	400,000	392,572	*(7,428)*
Central services	62,000	*(27,000)*	35,000	36,273	*1,273*
Pupil transportation services	5,000	*(1,000)*	4,000	3,810	*(190)*
Operation of plant	230,000	*(30,000)*	200,000	202,961	*2,961*
Maintenance of plant	15,000	*(7,000)*	8,000	6,295	*(1,705)*
Capital outlay	-	-	-	21,809	*21,809*
Right-of-use assets	-	-	-	165,243	*165,243*
Total expenditures	1,245,000	*(83,000)*	1,162,000	1,348,875	*186,875*
Change in fund balance from operations	50,000	*(330,000)*	(280,000)	(464,358)	*(184,358)*
Transfer from debt service fund	-	-	-	17,013	*17,013*
Fund balances at beginning of year	344,942	-	344,942	344,942	-
Fund balances at end of year	$ 394,942	*$ (330,000)*	$ 64,942	$ (102,403)	*$ (167,345)*



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, 2026, 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 30, 2026.

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 30, 2026

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, 2026, and have issued our report thereon dated September 30, 2026.

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 30, 2026 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 30, 2026