

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
dba
NORTHERN PALMS CHARTER HIGH SCHOOL

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

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORTS THEREON**

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2020**



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The discussion and analysis of City of Palms Charter High School, Inc. *dba* Northern 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, 2020. 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, 2020 represents the fifth year of operations for the School. Operations of the School are under direct control of the governing board. The School is related to City of Palms Charter High School and Palm Acres Charter High School through a common board of governance (see Note 1). The governing board has hired a Principal to oversee educational aspects of the School and contracted a local management company, Consulting + Professional Assistance, Inc. (CPA's) to manage all business operations related to the School.

Financial Highlights

On March 27, 2020, the President signed the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). The CARES Act offers, in part, stimulus funds in the form of forgivable loans and modifications of tax provisions previously passed in the Tax Cuts and Jobs Act. The uncertainty of the pandemic required the School to move to distance learning for the end of the FY20 school year.

During FY20, the School applied for and received proceeds from a loan originated from Synovus Bank and the Small Business Administration (SBA) for \$110,715 that can be partially or totally forgiven if the proceeds are spent on eligible expenses. This loan was created through the CARES Act.

At the close of the fiscal year, assets of the School exceeded liabilities by \$282,690 (net position) – an increase of \$5,272 from the prior year when assets exceeded liabilities by \$277,418. Fifty percent (50%) of current assets and thirty-seven percent (37%) of current liabilities are represented by intercompany receivables and payables. Average enrollment decreased by 25% - from 133 students in FY19 to 100 students in FY20. Operating expenses exceeded operating revenues by \$365,257. Forgiveness of intercompany debt of \$370,529 resulted in the net increase in net position for the year.

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; 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. These statements are more detailed than the government-wide statements.

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" 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* NORTHERN PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020
(continued)

Government-Wide Analysis of the School

Net Position

The table below provides a comparative summary of net position for FY20 and FY19.

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Assets			
Current assets	\$ 536,215	\$ 278,541	\$ 257,674
Capital assets, net	<u>4,293</u>	<u>56,163</u>	<u>(51,870)</u>
Total assets	<u>\$ 540,508</u>	<u>\$ 334,704</u>	<u>\$ 205,804</u>
Liabilities			
Current liabilities	\$ 257,818	\$ 61,824	\$ 195,994
Deferred rent	<u>-</u>	<u>(4,538)</u>	<u>4,538</u>
Total liabilities	<u>\$ 257,818</u>	<u>\$ 57,286</u>	<u>\$ 200,532</u>
Net assets			
Invested in capital assets	\$ 4,293	\$ 56,163	\$ (51,870)
Restricted for capital projects	-	63,731	(63,731)
Unrestricted	<u>278,397</u>	<u>157,524</u>	<u>120,873</u>
Total net position	<u>\$ 282,690</u>	<u>\$ 277,418</u>	<u>\$ 5,272</u>

The School's net capital assets of \$4,293 are represented primarily by computer servers, workstations, software, security hardware and tables and chairs that have been mostly fully depreciated. Current liabilities are represented by accrued payroll of \$46,000 (18%), SBA PPP Loan Proceeds of \$110,715 (43%), intercompany payables of \$94,763 (37%) and other accrued expenses of \$6,340 (2%).

Change in Net Position

The table on the following page shows the comparative summary of changes in net position, revenues and expenses for fiscal years 2020 and 2019.

Revenues from the Florida Education Finance Program (FEFP) s included in the School's charter. 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. Revenues, like enrollment, were constant between the two years. Expenses increased by \$183,268 from the prior year. One third (33%) of the increase (\$60,300) is a direct result of the Marjorie Stoneman Douglas Act passed in 2018. The School was required to contract with the Lee County Sheriff's Department for a full-time officer to serve as school resource officer. Another third represents increases in personnel expenses including a new teacher and school counselor to be in compliance with the requirements of the Marjorie Stoneman Douglas Act. The last third (31%) of the increase (\$57,408) is represented by accrued payroll expenses at June 30th. Prior to FY19, no accrual was required at June 30 as staff contracts began July 1st and ended June 30th. During FY18, the Board of Directors passed a resolution changing the contract year to August 1st through July 31st thereby creating 13 months' wages for FY19.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* NORTHERN PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

(continued)

Government-Wide Analysis of the School *(continued)*

At the end of FY20, the Board of Directors voted to forgive debt owed by NPCHS to Palm Acres CHS. The amount transferred to NPCHS from PACHS is \$370,529. No such transfer was made during FY19.

	2020	2019	Increase (Decrease)
Revenues			
State and local sources	\$ 685,282	\$ 958,720	\$ (273,438)
Contributions and other revenue	1,073	5,102	(4,029)
Total revenues	686,355	963,822	(277,467)
Expenses			
Instruction	379,187	462,616	(83,429)
Instructional support services	55,547	58,021	(2,474)
Board	12,999	13,888	(889)
School administration	389,758	410,161	(20,403)
Central services	31,794	44,332	(12,538)
Pupil transportation services	2,185	3,237	(1,052)
Operation of plant	178,198	175,597	2,601
Maintenance of plant	1,944	4,914	(2,970)
Total expenses	1,051,612	1,172,766	(121,154)
Change in net position from operations	(365,257)	(208,944)	(156,313)
Forgiveness of debt	370,529	-	370,529
Total change in net position	\$ 5,272	\$ (208,944)	\$ 214,216

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 in October and February. Enrollment decreased by approximately 28% from an average of 133 to 96 students.

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. The School's governmental fund reported an ending unassigned fund balance \$255,198 and \$132,251 as of June 30, 2020 and 2019 respectively. There was an interfund transfer from Capital Projects Fund to General Fund in the amount of \$48,416.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. dba NORTHERN PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

(continued)

General Fund Budgetary Highlights

The School prepared an annual budget based on the expected funded enrollment figure for the school year. The original budget anticipated enrollment of 160 students. This was revised once the School's final full-time equivalent enrollment was determined based on the required count dates in October and February. Actual figures for the current fiscal year resulted in average enrollment of 96 students.

Capital Assets

The capitalization threshold for classification of long-term assets is \$1,000. The School's net capital assets are represented primarily by computer workstations, tables and chairs and capitalized computer software. The table below shows comparative balances of net capital assets for FY20 and FY19.

	2020	2019	(Decrease)
Furniture, fixtures and equipment	\$ -	\$ 6,052	\$ (6,052)
Security hardware	4,323	11,189	(6,866)
Computer hardware	-	26,801	(26,801)
Instructional technology	-	9,167	(9,167)
Computer software	-	2,954	(2,954)
Total	<u>\$ 4,323</u>	<u>\$ 56,163</u>	<u>\$ (51,840)</u>

For more information on capital assets, see Note 6 in the Notes to the Basic Financial Statements.

Current Financial Statements

This fiscal year was the fifth year of the School's 5-year contract with the School District of Lee County. In June 2020, the School District of Lee County renewed the contract for another fifteen (15) years. NPCHS is the third of three schools opened and operated by the Board of Directors of City of Palms Charter High School, Inc. (the "Board"). The Board has contracted with Consulting and Professional Assistance, Inc. ("CPA's") to provide day-to-day management services including financial management and reporting, equipment, technology, operational support services, facilities, and personnel management and consulting services. CPA's provides services for a percentage share of the per pupil 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, 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 the general fund are approximately \$1.015 million, an increase of approximately \$329,000 from FY20 actual amounts. The increase is due to anticipated increases in enrollment. Budgeted expenditures are approximately \$1.015 million. If the preceding estimates are realized, the general fund is expected to break even at the end of FY21.

In response to the order by the Governor of Florida and in response to the coronavirus (COVID-19) pandemic, in March 2020, most schools and local businesses were required to close operations temporarily or indefinitely in order to attempt to slow the spread of the virus. At this time, the School does not know the overall financial effects on operations from the COVID-19 pandemic.



McCRAZY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of City of Palms Charter High School, Inc., *dba* Northern 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, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the accompanying financial statements referred to above present only the financial position of City of Palms Charter High School, Inc. *dba* Northern Palms Charter High School at June 30, 2020 and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of City of Palms Charter High School, Inc. These financial statements do not purport to, and do not present fairly, the financial position of City of Palms Charter High School, Inc. as of June 30, 2020 and its changes in financial position for the year then ending in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2-5 and 24-25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and 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.

McCrary and Associates, PLLC

Altamonte Springs, Florida
August 31, 2020

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
dba
 NORTHERN 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, 2020

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 256,438
Accounts receivable	258,279
Other assets	21,498
Capital assets	
Furniture, fixtures and equipment	18,156
Security hardware	24,737
Computer hardware	80,398
Instructional technology	27,500
Computer software	8,862
Less: accumulated depreciation	(155,360)
Total capital assets, net	4,293
Total assets	\$ 540,508
Liabilities	
Accounts payable and accrued expenses	\$ 257,818
Total liabilities	\$ 257,818
Net Position	
Invested in capital assets, net of related debt	\$ 4,293
Unrestricted	278,397
Total net position	\$ 282,690

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
dba
 NORTHERN 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, 2020

		Program Specific Revenues Capital Grants and Contributions		Net (Expenses) Revenues and Changes in Net Position
	Expenses	Capital Outlay		Total Governmental Activities
Governmental activities:				
Instruction	\$ 379,187	\$ -		\$ (379,187)
Instructional support services	55,547	-		(55,547)
Board	12,999	-		(12,999)
School administration	389,758	-		(389,758)
Central services	31,794	-		(31,794)
Transportation	2,185	-		(2,185)
Operation of plant	178,198	48,416		(129,782)
Maintenance of plant	1,944	-		(1,944)
Total primary government	<u>\$ 1,051,612</u>	<u>\$ 48,416</u>		<u>(1,003,196)</u>
			State and local sources	\$ 636,866
			Contribution and other revenues	<u>1,073</u>
			Total general revenues	<u>637,939</u>
			Change in net position from operations	(365,257)
			Forgiveness of debt	370,529
			Net position at beginning of year	<u>277,418</u>
			Net position at end of year	<u>\$ 282,690</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
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 NORTHERN 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, 2020

	General Fund	Capital Project Fund	Total Funds
Assets			
Cash and cash equivalents	\$ 256,438	\$ -	\$ 256,438
Accounts receivable	256,578	1,701	258,279
Other assets	21,498	-	21,498
Total assets	\$ 534,514	\$ 1,701	\$ 536,215
Liabilities			
Accounts payable and accrued expenses	\$ 257,818	\$ -	\$ 257,818
Total liabilities	257,818	-	257,818
Fund Balances			
Nonspendable:			
Deposits	1,240	-	1,240
Prepaid expenses	20,258	-	20,258
Restricted for capital projects	-	1,701	1,701
Spendable:			
Unassigned	255,198	-	255,198
Total fund balance	276,696	1,701	278,397
Total liabilities and fund balance	\$ 534,514	\$ 1,701	\$ 536,215

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
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NORTHERN 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, 2020

Total fund balance - governmental fund	\$ 278,397
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets are \$159,653 and the accumulated depreciation is \$155,360.	<u>4,293</u>
Total net position - governmental activities	<u>\$ 282,690</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
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 NORTHERN 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, 2020

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total Funds</u>
Revenues			
State and local sources	\$ 636,866	\$ -	\$ 636,866
Capital outlay	-	48,416	48,416
Contributions	1,073	-	1,073
Total revenues	<u>637,939</u>	<u>48,416</u>	<u>686,355</u>
Expenditures			
Instruction	355,822	-	355,822
Instructional support services	55,547	-	55,547
Board	12,999	-	12,999
School administration	368,149	-	368,149
Central services	31,794	-	31,794
Transportation	2,185	-	2,185
Operation of plant	117,190	48,416	165,606
Maintenance of plant	1,944	-	1,944
Capital outlay	1,158	-	1,158
Total expenditures	<u>946,788</u>	<u>48,416</u>	<u>995,204</u>
Net changes in fund balance	(308,849)	-	(308,849)
Funds transfer	63,731	(63,731)	-
Forgiveness of debt	<u>370,529</u>	<u>-</u>	<u>370,529</u>
Total change in fund balance	125,411	(63,731)	61,680
Fund balance at beginning of year	<u>152,986</u>	<u>63,731</u>	<u>216,717</u>
Fund balance at end of year	<u>\$ 278,397</u>	<u>\$ -</u>	<u>\$ 278,397</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
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NORTHERN 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 Fund to the
Statement of Activities

For the Year Ended June 30, 2020

Net changes in fund balance - governmental fund	\$ 61,680
Rent payments amortized over the life of the lease are not reported as an expenditure in the governmental funds.	(4,538)
The governmental fund reports capital outlays as expenditures.	1,158
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense of \$53,028 was recorded in the current period.	<u>(53,028)</u>
Change in net position of governmental activities	<u>\$ 5,272</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
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NORTHERN 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, 2020

1. Description of School and Reporting Entity

Northern Palms Charter High School (the “School”) is a charter school under City of Palms Charter High School, Inc. (the “Corporation”). The Corporation is a not-for-profit corporation organized pursuant to Chapter 617, F.S., the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. The Not-For-Profit Corporation currently operates two other charter schools in addition to this school. The three schools have the same Board of Governance. As such, they are related entities.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not present fairly, the financial position of the Corporation as of June 30, 2020, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 original charter contract was for the five years ending June 30, 2020. This contract was renewed in June 2020 by mutual written agreement between the School and the District for a fifteen-year period beginning July 1, 2020 and ending June 30, 2035. The School contracts with Consulting and Professional Assistance, Inc. (“CPA’s”) day-to-day operations as described in Note 8.

At the end of the 15-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 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.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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NORTHERN PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

Recently Issued Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities, which provides additional clarity and improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Fiduciary activities include the cumulative effect of any changes adopted to conform to the provisions of this guidance would be reported as a restatement of beginning net position and fund balance. The School did not identify fiduciary activities that would materially affect financial statements for this reporting period. The effective implementation date is June 30, 2020.

In June 2017, the GASB issued Statement No. 87, Leases. This pronouncement requires recognition and reporting of certain lease assets and liabilities for leases that previously were classified as operating leases. Under this pronouncement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about a school's leasing activities. The cumulative effect of any changes implemented to conform to this pronouncement would be reported as a restatement of beginning net position and fund balance. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements. The effective implementation date is June 30, 2021.

In June 2018, the GASB issued Statement No. 89, Capitalized Interest. GASB would now require interest costs incurred during the construction period to be recognized as an expense in the period in which the cost is incurred under the economic resource measurement focus. The effective implementation date is June 30, 2021.

However, the GASB issued in May 2020, Statement No 95, Postponement of the Effective Dates of Certain Authoritative Guidance, due to the ramifications of the Pandemic. This pronouncement was effective immediately upon issuance. The School will continue to evaluate these pronouncements with their current situation.

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.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

NORTHERN PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

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 and Capital Project Fund. The General Fund is the School's primary operating fund that accounts for all financial resources not required to be accounted for in another fund. For purposes of these statements, the General Fund and Capital Project 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.

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, revenues are recognized at the time the expenditure is made.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-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.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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A Charter School and Component Unit of the
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Notes to Financial Statements
(continued)

Cash and Cash Equivalents

All cash received by the School is maintained in demand deposit accounts and is recorded as such for purposes of presentation on the Statement of Net Position and the Balance Sheet – Governmental Funds.

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, 2020, these accounts total \$256,438. All deposits are insured by the FDIC. No losses are anticipated with associated 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, and security equipment. 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 three 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.
- 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”.

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 related to inventories, prepaid expenses, long-term loans and notes receivable, 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 including 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 including amounts intended to be used by the School's management for specific purposes that 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.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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Notes to Financial Statements
(continued)

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 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.

Under the provisions of Section 1011.62, F.S., the District reports the number of full-time equivalent students 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 a 5% administrative fee which is reflected as central services in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund.

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 these 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 income taxes, including 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.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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Notes to Financial Statements
(continued)

Income Taxes *(continued)*

Accordingly, there is no provision for federal 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. State income taxes, which may be due in certain jurisdictions, have been assessed following the same “more likely than not” measurement threshold. The School’s income tax returns for the tax years 2018, 2017 and 2016 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 during the reporting period. 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 August 31, 2020, which is the date the financial statements were available to be issued.

3. Related Party Transactions

In April 2015, the Board of Directors of City of Palms Charter High School, Inc. received approval from the School District of Lee County to operate Northern Palms Charter High School (NPCHS). NPCHS is the third school operated by this same Board. Originally opened in Fall 2006, the contract for City of Palms Charter High School was renewed by the School District of Lee County for an additional ten years ending in June 2026. Originally opened in August 2014 in Lehigh Acres, Palm Acres Charter High School was renewed in June 2019 for an additional 15 years ending in June 2035. Also, in June 2019, the Board of Directors received approval from the School District of Lee County to operate a fourth school – Palm River Charter High School – for five years beginning July 2020 through June 2025. Opening of this school has been postponed due to the COVID-19 pandemic.

During the routine course of business, invoices and payroll which apply to all schools may be paid by a single entity. As of June 30, 2020, Northern Palms CHS was owed \$255,885 from Palm Acres CHS and Northern Palms CHS owed \$94,793 to City of Palms CHS. . The schools track these amounts due to or from each related entity or school separately. These amounts are included in the accompanying statements of net position and balance sheet – governmental funds. The Board of Directors passed a resolution during FY20 to forgive debt owed by Northern Palms CHS to Palm Acres CHS in the amount of \$370,529. No such action was taken in the previous fiscal year.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
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Notes to Financial Statements
(continued)

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. Other Current Assets

At June 30, 2020, the School’s other current assets consisted of the following:

Prepaid Expenses	\$ 10,195
Prepaid Rent	4,953
Prepaid Insurance	2,560
Prepaid Software	2,340
Security Deposit	1,240
Other	<u>210</u>
Total	<u>\$ 21,498</u>

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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A Charter School and Component Unit of the
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Notes to Financial Statements
(continued)

6. Capital Assets and Depreciation

For the year ended June 30, 2020, the School's capital assets consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Capital assets being depreciated:			
Furniture, fixtures and equipment	\$ 18,156	\$ -	\$ 18,156
Security hardware	23,579	1,158	24,737
Computer hardware	80,398	-	80,398
Instructional technology	27,500	-	27,500
Computer software	8,862	-	8,862
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 158,495</u>	<u>\$ 1,158</u>	<u>\$ 159,653</u>
Less accumulated depreciation:			
Furniture, fixtures and equipment	\$ (12,104)	\$ (6,052)	\$ (18,156)
Security hardware	(12,390)	(8,054)	(20,444)
Computer hardware	(53,597)	(26,801)	(80,398)
Instructional technology	(18,333)	(9,167)	(27,500)
Computer software	(5,908)	(2,954)	(8,862)
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ (102,332)</u>	<u>\$ (53,028)</u>	<u>\$ (155,360)</u>
	<u> </u>	<u> </u>	<u> </u>
Net Capital Assets	<u>\$ 56,163</u>	<u>\$ (51,870)</u>	<u>\$ 4,293</u>

Depreciation expense of \$53,028 was allocated and charged to the functions listed below in the accompanying Statement of Activities.

Instruction	\$ 23,365
Administration	21,609
Operations	<u>8,054</u>
Total Depreciation Expense	<u>\$ 53,028</u>

7. Accounts Payable

Total accounts payable of \$257,818 are represented by the SBA PPP loan of \$110,715 (43%), accrued salaries of \$46,000 (18%), accounts payable to related party – CPCHS of \$94,763 (37%), and miscellaneous accounts payable of \$6,340 (2%).

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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NORTHERN PALMS CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
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Notes to Financial Statements
(continued)

8. Educational Management Providers

The Board of Directors entered into a contract with Consulting and Professional Assistance, Inc. (CPA's) to provide business and educational oversight services to the School. The Principal oversees academics and CPA's oversees all other operations. CPA's continuing fee is based upon 15% of gross revenues received from all sources. The administration fee paid to CPA's during the year ended June 30, 2020 totaled \$143,912. The fee is reflected as school administration in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund.

9. Schedule of State and Local Revenue Sources

For the year ended June 30, 2020, state and local revenues were received as follows:

Florida Education Finance Program	\$ 420,118
Class size reduction	87,998
Discretionary millage	61,779
Capital outlay revenue	48,416
Supplemental academic instruction	22,925
ESE guaranteed allocation	19,890
Student transportation	4,140
Instructional materials	7,479
Safe schools	4,819
Reading allocation	3,918
Mental health assistance allocation	2,403
Digital classrooms allocation	318
Discretionary lottery	91
Other	<u>988</u>

Total State and Local Revenue \$ 685,282

The administration fee paid to the District during the year ended June 30, 2020 totaled \$31,794. The fee is reflected as central services in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

10. 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.
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NORTHERN PALMS CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
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Notes to Financial Statements
(continued)

11. 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.

Lease commitments

Effective August 2015, the School entered into a 5-year lease agreement for its facility under a noncancelable operating lease. In August 2020, the School executed a renewal option for another 5-year term. For FY20, total expense related to the facility lease amounted to \$63,403.

Future minimum lease payments are as follows:

FY21	\$ 61,075
FY22	\$ 62,346
FY23	\$ 63,592
FY24	\$ 64,862
FY25	\$ 65,001

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
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 NORTHERN PALMS CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
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Required Supplementary Information

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Florida Education Finance Program	\$ 1,043,000	\$ 635,000	\$ 636,866	\$ 1,866
Contribution and other revenue	2,000	7,084	1,073	(6,011)
Total revenues	<u>1,045,000</u>	<u>642,084</u>	<u>637,939</u>	<u>(4,145)</u>
Expenditures				
Instruction	400,000	358,000	355,822	(2,178)
Instructional support services	50,000	56,000	55,547	(453)
Board	26,000	15,300	12,999	(2,301)
School administration	422,800	379,200	368,149	(11,051)
Central services	52,200	31,800	31,794	(6)
Pupil transportation services	4,000	2,200	2,185	(15)
Operation of plant	60,000	121,584	117,190	(4,394)
Maintenance of plant	5,000	3,000	1,944	(1,056)
Capital outlay	-	-	1,158	1,158
Total expenditures	<u>1,020,000</u>	<u>967,084</u>	<u>946,788</u>	<u>(20,296)</u>
Excess of revenues over expenditures	25,000	(325,000)	(308,849)	16,151
Transfer from Capital Outlay Fund	-	63,731	63,731	-
Forgiveness of debt	-	-	370,529	370,529
Total change in fund balance	25,000	(261,269)	125,411	386,680
Fund balance at beginning of year	<u>152,986</u>	<u>152,986</u>	<u>152,986</u>	<u>-</u>
Fund balance at end of year	<u>\$ 177,986</u>	<u>\$ (108,283)</u>	<u>\$ 278,397</u>	<u>\$ 386,680</u>

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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NORTHERN PALMS CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
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Required Supplementary Information

Budgetary Comparison Schedule – Capital Project Fund

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Capital outlay	\$ 30,000	\$ 48,416	\$ 48,416	\$ -
Local capital improvement revenue	60,000	-	-	-
Total revenues	90,000	48,416	48,416	-
EXPENDITURES				
Operation of plant	90,000	48,416	48,416	-
Total expenditures	90,000	48,416	48,416	-
Excess of revenues over expenditures	-	-	-	-
Fund balance transfer	-	(63,731)	(63,731)	-
Fund balance at beginning of year	63,731	63,731	63,731	-
Fund balance at end of year	\$ 63,731	\$ -	\$ -	\$ -



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

**Report of Independent Auditors 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 Northern 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* Northern Palms Charter High School (the “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, 2020, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated August 31, 2020.

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.

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.

McCrary and Associates, PLLC

Altamonte Springs, Florida
August 31, 2020

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



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of City of Palms Charter High School, Inc. *dba* Northern 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* Northern Palms Charter High School (the “School”) as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated August 31, 2020.

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.

Other Reports and Schedules

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.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, required 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. The official title of the entity is City of Palms Charter High School, Inc. *dba* Northern Palms Charter High School. The School code is 4303.

Financial Condition

Sections 10.854(1)(e)2. Rules of the Auditor General, requires that we report the results of our determination as to 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.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report 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.

Other Matters

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

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.

McCrary and Associates, PLLC

Altamonte Springs, Florida
August 31, 2020