



Jacksonville Classical Academy, Inc.

FINANCIAL STATEMENTS

June 30, 2023



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REPORT





INDEPENDENT AUDITORS' REPORT

Board of Directors
Jacksonville Classical Academy, Inc.

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Jacksonville Classical Academy, Inc., a component unit of the Duval County Public Schools, (the "Academy"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy'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, the discretely presented component unit, and each major fund of the Academy as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy'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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 to 10 and 35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2023, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's 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 Academy's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Tallahassee, FL
October 18, 2023



**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Jacksonville Classical Academy, Inc. Management's Discussion and Analysis

Management's discussion and analysis provides an easily readable analysis of Jacksonville Classical Academy, Inc.'s (Academy's) financial activities. The analysis provides summary financial information for the Academy and should be read in conjunction with the Academy's financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to financial statements*. The *government-wide financial statements* present an overall picture of the Academy's financial position and results of operations. The *fund financial statements* present financial information for the Academy's major funds. The *notes to financial statements* provide additional information concerning the Academy's finances that may not otherwise be disclosed in the government-wide or fund financial statements.

Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net position* and the *statement of activities*. These statements are designed to provide readers with a broad overview of the Academy's financial position in a manner similar to that of private-sector companies. Emphasis is placed on the net position of governmental activities as well as the change in net position. Governmental activities are the activities where the Academy's programs and services are reported including, but not limited to, instruction, operation and maintenance of plants and facilities, pupil transportation, extracurricular activities, capital outlay, debt service, and other support services. The Academy does not have any business-type activities.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Academy, with the difference between them reported as *net position*. Increases or decreases in net position over time may serve as a useful indicator of the Academy's improving or declining financial position.

Jacksonville Classical Academy, Inc. Management's Discussion and Analysis

The *statement of activities* presents information on all revenues and expenses of the Academy and the change in net position for the fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement of activities for some items that will result in cash flows in future fiscal periods.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. Individual funds have been established by the Academy to account for revenues that are restricted to certain uses or to comply with legal requirements. The major category of funds in the Academy's *fund financial statements* includes: governmental funds.

Fund financial statements provide financial information for the Academy's major fund and more detailed information about the Academy's activities along with detailed information about the preschools. Governmental fund financial statements provide information on the *current* assets and liabilities of the fund, changes in *current* financial resources (revenues and expenditures), and *current* available resources.

Fund financial statements for the governmental fund includes a balance sheet and a statement of revenues, expenditures and changes in fund balance. The Academy's general fund also includes a statement of revenues and expenditures - budget and actual.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the Academy's financial position. Categorized by governmental activities and component units, the government-wide financial statements provide an overall picture of the Academy's financial standing. The government-wide financial statements, which are comparable to private-sector companies, provide a good understanding of the Academy's overall financial health and present the means used to pay for various activities, or functions provided by the Academy. All assets and deferred outflows of resources of the Academy, including buildings and land are reported in the statement of net position, as well as all liabilities and deferred inflows of resources, including outstanding principal on bonds and other long-term debt. The statement of activities includes depreciation on all long-lived assets of the Academy. The *fund financial statements* provide a presentation of the Academy's major fund. In the case of the governmental fund, outlays for long-lived assets are reported as expenditures and long-term liabilities, such as revenue bonds, are included as other financing sources in the fund financial statements in the year the liabilities are incurred. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the Academy. Additional information about the accounting practices of the Academy, investments of the Academy, and long-term debt are just a few of the items included in the notes to financial statements.

**Jacksonville Classical Academy, Inc.
Management's Discussion and Analysis**

Financial Analysis of the Academy

The following schedule provides a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Academy.

<i>June 30, 2023</i>	Jacksonville Classical Academy, Inc. (Primary Government)	Jacksonville Support Corporation (Component Unit)
Assets		
Current assets	\$ 21,775,748	\$ 10,961,973
Non-current assets	827,700	18,271,392
Total assets	22,603,448	29,233,365
Liabilities		
Current liabilities	541,088	33,894
Non-current liabilities	28,243,161	15,760,000
Total liabilities	28,784,249	15,793,894
Deferred Inflows of Resources	-	9,499,277
Net position	\$ (6,180,801)	\$ 3,940,194
June 30, 2022		
Assets		
Current assets	\$ 22,786,477	\$ 10,708,586
Non-current assets	1,058,827	18,776,592
Total assets	23,845,304	29,485,178
Liabilities		
Current liabilities	11,344,458	33,894
Non-current liabilities	17,630,826	15,760,000
Total liabilities	28,975,284	15,793,894
Deferred Inflows of Resources	-	9,663,277
Net position	\$ (5,129,980)	\$ 4,028,007

**Jacksonville Classical Academy, Inc.
Management's Discussion and Analysis**

Financial Analysis of the Academy (Continued)

The following schedule provides a summary of the changes in net position.

	Jacksonville Classical Academy, Inc. (Primary Government)	Jacksonville Support Corporation (Component Unit)
<i>For the year ended June 30, 2023</i>		
Expenses	\$ (10,721,429)	\$ (726,728)
Program revenues	3,236,983	-
General revenues	6,433,625	638,915
Change in net position	\$ (1,050,821)	\$ (87,813)

	Jacksonville Classical Academy, Inc. (Primary Government)	Jacksonville Support Corporation (Component Unit)
<i>For the year ended June 30, 2022</i>		
Expenses	\$ (10,062,852)	\$ (649,194)
Program revenues	2,436,073	-
General revenues	5,738,220	673,134
Change in net position	\$ (1,888,559)	\$ 23,940

Financial Analysis of the Academy's Funds

Governmental Funds

The main operating fund of the Academy is the general fund. As of June 30, 2023, total assets were \$12,664,744 and total liabilities were \$541,088. At the end of fiscal year 2023, fund balance of the general fund was \$12,123,656.

The Academy also maintains a special revenue fund. As of June 30, 2023, total assets were \$52,957 and fund balance was \$52,957.

Analysis of General Fund Budget Variations

For the year ended June 30, 2023, the general fund expenditures exceeded the final budget by \$1,017,277 mainly due to non-cash related expenditures associated with the long-term lease agreement and debt. Revenues, including other financing sources, were less than the final budget by \$1,497,288 as all revenue sources were included for budget purposes but allocated between the general fund and the special revenue fund for financial reporting.

**Jacksonville Classical Academy, Inc.
Management's Discussion and Analysis**

Financial Analysis of the Academy's Funds (Continued)

Capital Assets Activity

The following schedule provides a summary of the Academy's capital assets.

<i>June 30, 2023</i>	Jacksonville Classical Academy, Inc. (Primary Government)	Jacksonville Support Corporation (Component Unit)
Land	\$ -	\$ 1,712,513
Buildings and improvements	-	17,990,279
Equipment	1,302,259	-
Textbooks	265,993	-
Construction in progress	5,000	-
Accumulated depreciation	(745,552)	(1,431,400)
Capital assets, net of accumulated depreciation	\$ 827,700	\$ 18,271,392

<i>June 30, 2022</i>	Jacksonville Classical Academy, Inc. (Primary Government)	Jacksonville Support Corporation (Component Unit)
Land	\$ -	\$ 1,712,513
Buildings and improvements	-	17,990,279
Equipment	1,252,618	-
Textbooks	265,993	-
Construction in progress	5,000	-
Accumulated depreciation	(464,784)	(926,200)
Capital assets, net of accumulated depreciation	\$ 1,058,827	\$ 18,776,592

Lease Assets and Liabilities

The Corporation leases the use of the school building to the Academy. The agreement results in a lease asset and liability to be recorded for the Academy's right of use.

**Jacksonville Classical Academy, Inc.
Management's Discussion and Analysis**

Lease Assets and Liabilities (Continued)

The following schedule provides a summary of the Academy's lease assets and lease liabilities:

<i>June 30, 2023</i>	Jacksonville Classical Academy, Inc. (Primary Government)	Jacksonville Support Corporation (Component Unit)
Lease assets, net	\$ 9,058,047	\$ -
Lease liability	\$ 10,646,508	\$ -
Lease receivable, net	\$ -	\$ 10,646,509

<i>June 30, 2022</i>	Jacksonville Classical Academy, Inc. (Primary Government)	Jacksonville Support Corporation (Component Unit)
Lease assets, net	\$ 9,414,390	\$ -
Lease liability	\$ 10,338,793	\$ -
Lease receivable, net	\$ -	\$ 10,338,793

Debt Management

The following schedule provides a summary of the Academy's long-term debt:

<i>June 30, 2023</i>	Jacksonville Classical Academy, Inc. (Primary Government)	Jacksonville Support Corporation (Component Unit)
Lease liability	\$ 10,646,508	\$ -
Notes payable, net of unamortized loan costs and discounts	17,760,653	15,760,000
Long-term debt	\$ 28,407,161	\$ 15,760,000

<i>June 30, 2022</i>	Jacksonville Classical Academy, Inc. (Primary Government)	Jacksonville Support Corporation (Component Unit)
Lease liability	\$ 10,338,793	\$ -
Notes payable, net of unamortized loan costs and discounts	17,630,826	15,760,000
Long-term debt	\$ 27,969,619	\$ 15,760,000

Jacksonville Classical Academy, Inc. Management's Discussion and Analysis

Economic Factors and Next Year's Budget

Budgeted activities for fiscal 2024 anticipate the following:

- Student enrollment of 868 with enrollment capacity of 1,200
- Annual revenues of \$9,542,312
- Annual expenses of \$8,588,491
- Annual capital outlay of \$-0-
- Annual debt service of \$729,000

Contacting the Academy's Finance Department

This financial report is designed to provide a general overview of Jacksonville Classical Academy, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Jacksonville Classical Academy's Finance Department, 2043 Forest Street, Jacksonville, Florida 32204. You may visit the Academy's website at <http://www.jaxclassical.org>.



FINANCIAL STATEMENTS

Jacksonville Classical Academy, Inc.
Statement of Net Position
June 30, 2023

	Governmental Activities	Component Unit
Assets		
Cash and cash equivalents	\$ 754,880	\$ 2,001
Due from Jacksonville Investment Fund	11,180,800	-
Lease receivable, net	-	10,646,509
Miscellaneous receivable	676,606	46,467
Other assets	105,415	-
Lease asset, net	9,058,047	-
Capital assets, net	827,700	18,271,392
Restricted cash	-	266,996
Total assets	22,603,448	29,233,365
Liabilities		
Accounts payable	124,268	-
Accrued liabilities	252,820	33,894
Long-term liabilities		
Portion due or payable within one year:		
Lease payable	164,000	-
Portion due or payable after one year:		
Lease payable	10,482,508	-
Notes payable, net of discount	17,760,653	15,760,000
Total liabilities	28,784,249	15,793,894
Deferred inflows of resources	-	9,499,277
Net position		
Net investment in capital assets	-	2,511,392
Restricted:		
Capital outlay and student activities	52,957	-
Debt service	-	266,996
Unrestricted (deficit)	(6,233,758)	1,161,806
Total net position	\$ (6,180,801)	\$ 3,940,194

The accompanying notes are an integral part of these financial statements.

Jacksonville Classical Academy, Inc.
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 701,923	\$ 52,957	\$ 754,880
Due from Jacksonville Investment Fund	11,180,800	-	11,180,800
Miscellaneous receivable	676,606	-	676,606
Other assets	105,415	-	105,415
Total assets	\$ 12,664,744	\$ 52,957	\$ 12,717,701
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 124,268	\$ -	\$ 124,268
Accrued liabilities	252,820	-	252,820
Lease payable	164,000	-	164,000
Total liabilities	541,088	-	541,088
Fund balance			
Restricted	-	52,957	52,957
Nonspendable - prepaid expenses	105,415	-	105,415
Unassigned	12,018,241	-	12,018,241
Total fund balance	12,123,656	52,957	12,176,613
Total liabilities and fund balance	\$ 12,664,744	\$ 52,957	\$ 12,717,701

The accompanying notes are an integral part of these financial statements.

Jacksonville Classical Academy, Inc.
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
Year ended June 30, 2023

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

Fund balances - total governmental funds	\$ 12,176,613
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	827,700
Lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,058,047
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(28,243,161)
Net position of governmental activities	\$ (6,180,801)

The accompanying notes are an integral part of these financial statements.

Jacksonville Classical Academy, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balance –
Governmental Funds
Year ended June 30, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Grants and contributions	\$ 7,999,002	\$ 1,282,399	\$ 9,281,401
Charges for services	161,219	-	161,219
Investment income	147,112	-	147,112
Other	80,876	-	80,876
Total revenues	8,388,209	1,282,399	9,670,608
Expenditures			
Instruction and instruction related services	4,392,937	84,051	4,476,988
General administration	895,080	-	895,080
School administration	1,696,943	89,587	1,786,530
Student and instructional support services	208,464	-	208,464
Fiscal services	25,000	-	25,000
Food services	-	419,567	419,567
Operation of plant	627,997	-	627,997
Community services	357,080	-	357,080
Debt service	899,411	-	899,411
Total expenditures	9,102,912	593,205	9,696,117
 Net change in fund balance	 (714,703)	 689,194	 (25,509)
 Transfers	 636,237	 (636,237)	 -
 Fund balance, beginning of year	 12,202,122	 -	 12,202,122
 Fund balance, end of year	 \$ 12,123,656	 \$ 52,957	 \$ 12,176,613

The accompanying notes are an integral part of these financial statements.

Jacksonville Classical Academy, Inc.
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
Year ended June 30, 2023

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

Net change in fund balance - total governmental funds	\$ (25,509)
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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. This is the amount of depreciation expense in the current period.	(637,110)
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Governmental funds report the amount financed by leases as a source of financing. However, leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net position. Expenditures for principal repayment of leases are measured by the amount of financial resources used by governmental funds and have no effect on net position.	(388,202)
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Change in net position of governmental activities	\$ (1,050,821)
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The accompanying notes are an integral part of these financial statements.

Jacksonville Classical Academy, Inc. Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jacksonville Classical Academy, Inc. was organized in August 2018 as a Florida nonprofit corporation. The Academy was granted a charter from the Duval County District School Board (District) to operate a public school, grades kindergarten through 6th within the District. The Charter expires in 2026. The District has the option to renew the charter or to terminate it upon expiration, or before its expiration date, based on circumstances defined in the agreement.

Reporting Entity

These financial statements include only the balances and activity of Jacksonville Classical Academy, Inc. and its component unit entities for which the Academy is considered to be financially accountable or for which the nature and significance of the relationship with the primary government are such that their exclusion would cause the Academy's financial statements to be misleading or incomplete. They are not intended to be a complete presentation of the financial position or the changes in financial position of Duval County District School Board in conformity with accounting principles generally accepted in the United States of America (GAAP). The accounting policies of the schools conform to GAAP, as applicable to charter schools in the State of Florida.

The accounting policies of the Academy conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the Academy are described below.

In evaluating the Academy as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification.

Discretely Presented Component unit – Jacksonville Support Corporation, Inc.

The Jacksonville Support Corporation, Inc. (the "Corporation"), was formed as an educational support organization to operate at all times exclusively for the benefit of, to perform the functions of, and/or to carry out the purposes of the Academy. The Corporation is operated solely for the benefit of the Academy. The Corporation is presented as a governmental fund type with a fiscal year end of June 30. Due to the nature and significance of the Corporation's relationship with the Academy, exclusion of the Corporation's financial operations would render the Academy's financial statements incomplete or misleading. The Corporation is disclosed using the discrete presentation method to emphasize that it is a legally separate entity from the Academy.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from

Jacksonville Classical Academy, Inc. Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (continued)

business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the general fund and special revenue fund which are the only governmental funds. The Academy does not have any proprietary funds or fiduciary funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, contributions, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues (other than grants) to be available if they are collected within 60 days of the end of the current fiscal period. The Academy considers grants available if collected within one year after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

Jacksonville Classical Academy, Inc. Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Intergovernmental revenues (except grants) and interest are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Academy.

Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for the governmental funds.

As discussed earlier, the Academy has one discretely presented component unit shown in a separate column in the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the Academy's funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented when applicable. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes.

Budgetary Basis of Accounting

An operating budget is adopted and maintained by the governing board of the Academy pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the fund financial statements.

Jacksonville Classical Academy, Inc.
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Basis of Accounting (continued)

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term highly liquid investments with maturities of three months or less from the date of acquisition.

Receivables

Receivables have been reported net of the allowance for doubtful accounts. There was no allowance for uncollectible amounts considered necessary at June 30, 2023.

Restricted Assets

Certain assets of the Academy are classified as restricted assets on the statement of net position and governmental fund balance sheet because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts are used to account for the sources and uses of these limited use assets.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. athletic fields and outside structures), are reported in the governmental activities column in the government-wide financial statements. Capital assets, are typically defined by the Academy as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years.

Jacksonville Classical Academy, Inc.
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued)

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method generally over the following estimated useful lives:

Buildings	39	Years
Equipment	5 - 10	Years
Textbooks	3	Years
Improvements	39	Years

Leases

Lease contracts that provide the Academy with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased 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. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment. The discount rate used was 4.5% which is the Academy's incremental borrowing rate as of the commencement date of the lease. The Academy's component unit owns the leased assets and leases the right of use to the Academy.

Deferred Inflows of Resources

The Academy's statement of net position reports a section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to future periods. The deferred inflow of resources is attributed to a lease receivable related to its lease of facilities with its component unit that is to be received during the term of the lease.

Accrued Vacation and Sick Leave

The Academy's policy is to grant paid absences for vacation and sick leave. Employees are encouraged to use vacation time in the benefit period in which it is earned. The Academy does not compensate employees for any unused vacation and sick leave.

Jacksonville Classical Academy, Inc.
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Loan costs and discounts are netted against the debt balance and amortized over the term of the loan.

Categories and Classification of Fund Equity

Net position flow assumption – Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Jacksonville Classical Academy, Inc. Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Categories and Classification of Fund Equity (continued)

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy’s highest level of decision-making authority, which is the Board of Directors. Once a commitment is made, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the general fund.

Revenues and Expenditures/Expenses

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

Under 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). Funding for the Academy is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent (FTE) students reported by the Academy during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the Academy’s compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 will be the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services will be provided through the guaranteed allocation designated in Section 1011.62(1)(e)2, Florida Statutes.

Jacksonville Classical Academy, Inc. Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses (continued)

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes and Rule 6A-1.0453, Florida Administrative Code (FAC). Companies are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044 FAC)
- Teacher certificates and other certification documentation (Rule 6A-1.0503 FAC)
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503 FAC)
- Procedural safeguards for weighted programs (Rule 6A-6.03411 FAC)
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. At year-end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed at date. Although encumbrances lapse at year-end, it is the intention to substantially honor these encumbrances under authority provided in the subsequent year's budget.

Income Taxes

The Academy and Corporation are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these financial statements. The Academy and Corporation have no unrelated business income for the year ended June 30, 2023.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through October 18, 2023, the date that the financial statements were available to be issued. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Jacksonville Classical Academy, Inc.
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements* (SBITA). The objectives of this Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Adoption of GASB No. 96 did not result in any significant changes to the financial statements.

Note 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The following is an explanation of differences between the balance sheet and statement of net position.

The total fund balance of the Academy's governmental funds of \$12,176,613 on the governmental fund's balance sheet differs from the net position of governmental activities (\$6,180,801) reported in the statement of net position. This difference results primarily from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet. Details of this difference are as follows:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets of the Academy. The details of the difference is as follows:

Cost of capital assets	\$ 1,573,251
Accumulated depreciation	(745,551)
<u>Capital assets, net of accumulated depreciation</u>	<u>\$ 827,700</u>

Long-term liabilities applicable to the Academy's governmental activities are not reported as fund liabilities. All liabilities are reported in the statement of net position. The details of the difference is as follows:

Lease liability, less current portion	\$ 10,482,508
Notes payable, net of unamortized loan costs and discount	17,760,653
<u>Long-term liabilities</u>	<u>\$ 28,243,161</u>

Jacksonville Classical Academy, Inc.
Notes to Financial Statements

Note 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

Lease assets used in governmental activities are not financial resources, and therefore, these assets are reported as expenditures in governmental funds. However, the statement of net position includes those lease assets of the Academy. The details of the difference is as follows:

<u>Lease assets</u>	<u>\$ 9,058,047</u>
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The following is an explanation of differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities.

The statement of activities and governmental fund revenues, expenditures and changes in fund balance includes a reconciliation between net change in fund balance - total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation is governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. The details of this difference is as follows:

<u>Depreciation expense</u>	<u>\$ (637,110)</u>
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The amount financed by leases are reported as a source of financing within governmental funds. However, leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net position. Expenditures for principal repayment of leases are measured by the amount of financial resources used by governmental funds and have no effect on net position.

Change in lease liability treated as expenditure in statement of revenues, expenditures and changes in fund balance	\$ (388,202)
<u>Lease activity</u>	<u>\$ (388,202)</u>

Jacksonville Classical Academy, Inc. Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS

Deposits

Up to \$250,000 of the Academy's bank balances per bank are covered by federal depository insurance (FDIC). Monies invested in amounts greater than the FDIC coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Academy pursuant to Section 280.08, Florida Statutes.

The Academy does not have an investment policy. Florida Statutes, Section 218.415, authorizes the Academy to invest surplus funds in the following:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency
- Interest bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02
- Direct obligations of the U.S. Treasury

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the Academy places its deposits are certified as "qualified public depositories," as required under the Florida Security for Public Deposits Act.

Restricted Cash

At June 30, 2023, the Academy had \$266,996 in restricted cash for sinking fund and reserve requirements related to their outstanding debt.

Jacksonville Classical Academy, Inc.
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital assets balances and activity for the year ended June 30, 2023 are as follows:

	Balance, July 1, 2022	Additions	Deletions	Balance, June 30, 2023
<i>Primary government:</i>				
Capital assets				
Construction in progress	\$ 5,000	\$ -	\$ -	\$ 5,000
Equipment	1,252,619	49,640	-	1,302,259
Textbooks	265,993	-	-	265,993
Total capital assets	1,523,612	49,640	-	1,573,252
Less accumulated depreciation				
Equipment	(390,283)	(238,874)	-	(629,157)
Textbooks	(74,502)	(41,893)	-	(116,395)
Total accumulated depreciation	(464,785)	(280,767)	-	(745,552)
Capital assets, net of accumulated depreciation	\$ 1,058,827	\$ (231,127)	\$ -	\$ 827,700

	Balance, July 1, 2022	Additions	Deletions	Balance, June 30, 2023
<i>Component unit:</i>				
Capital assets				
Land	\$ 1,712,513	\$ -	\$ -	\$ 1,712,513
Buildings and improvements	17,990,279	-	-	17,990,279
Total capital assets	19,702,792	-	-	19,702,792
Total accumulated depreciation	(926,200)	(505,200)	-	(1,431,400)
Capital assets, net of accumulated depreciation	\$ 18,776,592	\$ (505,200)	\$ -	\$ 18,271,392

Depreciation expense of \$280,767 was charged to governmental activities and allocated to instruction and instruction related services, food services, and operation of plant. The component unit incurred depreciation expense of \$505,200.

Jacksonville Classical Academy, Inc.
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Lease Asset and Liability

The Academy maintains a lease agreement with its component unit for the use of school facilities through June 1, 2048. Rental payments are due as follows:

Future lease payments due December 1 and June 1

Through June 1, 2026	\$	82,000
Through December 1, 2027	\$	101,000
Through June 1, 2048	\$	456,500

Lease asset balances and activity for the year ended June 30, 2023 are as follows:

	Balance, July 1, 2022	Additions	Deletions	Balance, June 30, 2023
<i>Primary government:</i>				
Lease assets				
Right of use - facilities	\$ 9,977,610	\$ -	\$ -	\$ 9,977,610
Total lease assets	9,977,610	-	-	9,977,610
Less accumulated amortization				
Right of use - facilities	(563,220)	(356,343)	-	(919,563)
Total accumulated amortization	(563,220)	(356,343)	-	(919,563)
Lease assets, net of accumulated amortization	\$ 9,414,390	\$ (356,343)	\$ -	\$ 9,058,047

Amortization expense of \$356,343 was charged to governmental activities and included within the operation of plant within the statement of activities.

Lease liability balances and activity for the year ended June 30, 2023 are as follows:

	Balance, July 1, 2022	Additions	Deletions	Balance, June 30, 2023
<i>Primary government:</i>				
Lease liability	\$ 10,338,793	\$ 307,715	\$ -	\$ 10,646,508

Interest expense related to the amortization of the lease liability is \$471,716 for the year ended June 30, 2023 and included in debt service.

Jacksonville Classical Academy, Inc.
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Lease Asset and Liability (continued)

Future debt service requirements on the lease liability at June 30, 2023 are as follows:

<i>For the years ending June 30,</i>	Principal	Interest	Total
<i>Primary government:</i>			
2024	\$ (318,638)	\$ 482,638	\$ 164,000
2025	(333,138)	497,138	164,000
2026	(348,298)	512,298	164,000
2027 - 2031	879,195	2,417,507	3,296,702
2032 - 2036	2,372,791	2,192,209	4,565,000
2037 - 2041	2,964,099	1,600,901	4,565,000
2042 - 2046	3,702,763	862,237	4,565,000
2047 - 2049	1,727,734	98,266	1,826,000
Total	\$ 10,646,508	\$ 8,663,194	\$ 19,309,702

Long-term Debt and Liabilities

On December 18, 2019, the Academy obtained debt financing with Truist Bank. The maximum principal amount was \$15,209,081. Interest-only payments were due monthly at 2.84% and adjusted at one month LIBOR plus 1.10%. The note payable was secured by the construction in progress. The principal amount was due in full on December 18, 2026; however, management refinanced the debt during April 2021. Under the new terms of the debt financing with Greenaccess, LLC, the Academy received proceeds of \$16,200,000. Interest-only payments are due monthly at a fixed interest rate of 4.50%. The note payable is secured by all assets of the Academy. The principal amount is due in full on April 20, 2026; however, the Academy has an option to extend the maturity by 24 months. The Academy must maintain a loan to value ratio of 75% and prepay interest in the amount of \$1,563,300 as of the refinancing date. The value of the note payable at June 30, 2023 is \$16,200,000.

On December 19, 2019, the Academy obtained debt financing with Vestcor Family Foundation. The maximum principal amount is \$2,500,000. No interest payments are due; therefore, a discount of \$544,428 was recorded at the beginning of the note term at the Academy's incremental borrowing rate of 4.5% and amortized over the term of the note agreement. Principal is due at maturity of December 31, 2026. The note is unsecured and subordinate to the debt financed with Greenaccess, LLC. The principal amount outstanding at June 30, 2023 is \$2,010,000 and recorded net of unamortized discounts of \$1,715,065.

On December 18, 2019, the Academy entered into a New Market Tax Credit (NMTC) financing transaction to provide the funding to acquire real estate and develop a charter school in Jacksonville, Florida. As part of the transaction, the Academy made a loan of \$11,180,000 to the Jacksonville Investment Fund, LLC (the Fund). The loan receivable is due December 1, 2043 and carries an interest rate of 1.315%.

Jacksonville Classical Academy, Inc.
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (continued)

In conjunction with the Academy's loan, SunTrust Community Capital, LLC contributed \$6,240,000 to the Fund during the year ended June 30, 2021. SunTrust Community Capital, LLC received NMTC's in return for its investment in the Fund. The Fund used the collective proceeds to fund two Community Development Entities (CDEs), ST CDE LXVII, LLC and Civic Builders Sub-CDE 12, LLC.

The Corporation entered into an \$11,760,000 and \$4,000,000 loan with ST CDE LXVII, LLC and Civic Builders Sub-CDE 12, LLC, respectively. Each loan consists of two tranches, Loan A and Loan B, both of which have an interest rate of 1.00%, simple interest, and mature on December 1, 2049.

Long-term debt balances and activity for the year ended June 30, 2023 are as follows:

	Balance, July 1, 2022	Additions	Deletions	Balance, June 30, 2023
<i>Primary government:</i>				
Long-term debt	\$ 18,210,000	\$ -	\$ -	\$ 18,210,000

	Balance, July 1, 2022	Additions	Deletions	Balance, June 30, 2023
<i>Component unit:</i>				
Long-term debt	\$ 15,760,000	\$ -	\$ -	\$ 15,760,000

Within the statement of net position, long-term debt is presented net of all unamortized loan costs and discounts totaling \$154,412 and \$294,935, respectively.

Future debt service requirements on the notes payable at June 30, 2023 are as follows:

<i>For the years ending June 30,</i>	Principal	Interest	Total
<i>Primary government:</i>			
2024	\$ -	\$ 729,000	\$ 729,000
2025	-	729,000	729,000
2026	16,200,000	668,250	16,868,250
2027	2,010,000	-	2,010,000
Total	\$ 18,210,000	\$ 2,126,250	\$ 20,336,250

Jacksonville Classical Academy, Inc.
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (continued)

<i>For the years ending June 30,</i>	Principal	Interest	Total
<i>Component unit:</i>			
2024	\$ -	\$ 157,600	\$ 157,600
2025	-	157,600	157,600
2026	-	157,600	157,600
2027 - 2031	2,614,341	742,588	3,356,929
2032 - 2036	3,418,083	581,382	3,999,465
2037 - 2041	3,592,887	406,280	3,999,167
2042 - 2046	3,776,628	222,536	3,999,164
2047 - 2049	2,358,061	41,438	2,399,499
Total	\$ 15,760,000	\$ 2,467,024	\$ 18,227,024

Interest expense related to long-term debt totals \$761,399 which includes \$75,329 of discount amortization for the year ended June 30, 2023. The component unit incurred interest expense of \$195,814 for the year ended June 30, 2023.

Fund Balance and Net Position Restrictions

The statement of net position reports a restricted net position of \$266,996 at June 30, 2023.

Restricted debt service – This restriction was established in conjunction with the issuance of debt and funded by initial deposits from the proceeds of such debt and by transfers from operating funds into sinking funds. The amount of net position restricted for debt service is \$266,996 at June 30, 2023.

Restricted Capital Outlay and Student Activities

The restriction was established in conjunction with unspent funding received with restricted use.

Net Investment in Capital Assets

The elements of net investment in capital assets as of June 30, 2023 are as follows:

<i>June 30, 2023</i>	Primary Government	Component Unit
Capital assets (net of depreciation)	\$ 827,700	\$ 18,271,392
Less long-term liabilities for notes payable (limited to capital asset balance)	827,700	15,760,000
Net investment in capital assets	\$ -	\$ 2,511,392

Jacksonville Classical Academy, Inc. Notes to Financial Statements

Note 4: RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There have been no claims in excess of insurance coverage limits during the past three years.

The Academy maintains commercial insurance coverage for workers' compensation through its relationship with a Professional Employer Organization (PEO). The Academy purchases separate commercial insurance coverage for liability and property damage. Coverage for workers' compensation and automobile claims are limited to the maximum liability exposure the Academy faces under Florida statutes. Coverage for general liability claims is a maximum of \$1,000,000 and coverage for umbrella liability claims is a maximum of \$5,000,000.

The commercial insurance carried is a claims incurred policy for which the Academy is covered for claims originating against the Academy during the policy period. The amount of coverage is dependent on the date of the liability-imposing event. The Academy has maintained continuous coverage and does not believe it has any exposure to events which occurred prior to the year ended June 30, 2023.

Note 5: RETIREMENT PLAN

The Academy participates in a multi-employer retirement plan offered by its PEO. All full-time employees of the Academy are able to contribute to the plan. The Academy matches employee contributions to the plan at 100% up to 4.5% of the employee's base salary. Retirement expense was \$67,403 for the year ended June 30, 2023.

Note 6: COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

During the ordinary course of its operation, the Academy is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the Academy, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the Academy or results of activities.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the Academy expects such amounts not recorded, if any, to be immaterial.

Jacksonville Classical Academy, Inc.
Notes to Financial Statements

Note 6: COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES (Continued)

The accompanying financial statements have been prepared assuming the Academy will continue as a going concern. The Academy has experienced three consecutive years of negative changes in net position since its inception during the year ended June 30, 2020. The Academy's net position is (\$2,240,607) at June 30, 2023. These factors raise substantial doubt about the Academy's ability to continue as a going concern. Management has developed a plan which includes deferral of principal payments on below-market rate financing, long-term leases and options to refinance certain debt. Additionally, as the Academy is only in its third year of operations, management has yet to establish full enrollment and utilization of grant programs available to help with cash flows. These considerations have alleviated substantial doubt about the Academy's ability to continue as a going concern.

Note 7: PRIOR PERIOD ADJUSTMENT

Net position at the beginning of 2023 has been adjusted to correct an error related to the accounting treatment for an interest-free loan made in a previous year. Had the error not been made, the change in net position would have increased by \$370,264.



REQUIRED SUPPLEMENTARY INFORMATION

Jacksonville Classical Academy, Inc.
Budgetary Comparison Schedule – General Fund

<i>For the year ended June 30, 2023</i>	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues	\$ 9,885,497	\$ 9,885,497	\$ 8,388,209	\$ (1,497,288)
Expenditures				
Instruction and instruction support services	4,816,506	4,816,506	4,392,937	423,569
General administration	1,354,023	1,354,023	895,080	458,943
School administration	1,768,024	1,768,024	1,696,943	71,081
Student and instructional support services	170,521	170,521	208,464	(37,943)
Fiscal services	-	-	25,000	(25,000)
Food services	393,633	393,633	-	393,633
Operation of plant	765,138	765,138	627,997	137,141
Community services	123,344	123,344	357,080	(233,736)
Debt service	729,000	729,000	899,411	(170,411)
Total expenses	10,120,189	10,120,189	9,102,912	1,017,277
Net change in fund balance	(234,692)	(234,692)	(714,703)	(2,514,565)
Transfer from special revenue fund	-	-	636,237	636,237
Fund balance at beginning of year	12,202,122	12,202,122	12,202,122	-
Fund balance at end of year	\$ 11,967,430	\$ 11,967,430	\$ 12,123,656	\$ 156,226

See Independent Auditors' Report.



COMPLIANCE SECTION

**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
Jacksonville Classical Academy, Inc.

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 the discretely presented component unit of Jacksonville Classical Academy, Inc., (the Academy) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 18, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described on the next page as item 2023-1 that we consider to be a material weakness.

2023-1: Significant Audit Adjustments

Condition: For the year ended June 30, 2023, management did not record the adjusting journal entries provided by the predecessor auditor as part of the prior year's audit. In addition, we proposed material adjusting entries as part of the current year's audit in order for the financial statements to be presented in accordance with generally accepted accounting principles.

Criteria: A key element of financial reporting is the ability of management to select and apply the appropriate principles to prepare the financial statements in accordance with generally accepted accounting principles.

Cause: Certain material adjustments related to the accounting for debt proceeds and prior year capitalization were identified subsequent to the start of the audit process.

Effect: The financial statements could be materially misstated if significant adjusting entries were not made.

Recommendation: We recommend that management obtain, review, approve and record all adjusting entries annually.

View of responsible officials: See management's response and Corrective Action Plan beginning on page 42.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted other certain matters that were reported to the management of the School in a separate letter dated October 18, 2023.

The Academy's Response to Findings

The Academy's response to the finding identified in our audit is described in the accompanying corrective action plan. The Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Tallahassee, Florida

October 18, 2023

Management Letter as Required by Section 218.39(4) Florida Statutes

To the Board of Directors of
Jacksonville Classical Academy, Inc.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jacksonville Classical Academy, Inc. (the "Academy"), as of and for the year ended June 30, 2023, and have issued our report thereon dated October 18, 2023.

AUDITORS' RESPONSIBILITY

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

OTHER REPORTING REQUIREMENTS

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated October 18, 2023 should be considered in conjunction with this management letter.

PRIOR AUDIT FINDINGS

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations in the preceding annual financial audit report.

OFFICIAL TITLE

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

FINANCIAL CONDITION AND MANAGEMENT

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

Management Letter as Required by Section 218.39(4) 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 Academy. It is management's responsibility to monitor the Academy'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. The financial condition assessment was done as of the fiscal year-end.

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 provided the following recommendations:

2023-1: Significant Audit Entries – (Material Weakness)

During the audit, we noted that management had not recorded the adjusting journal entries provided by the predecessor auditor. Additionally, certain material adjustments were identified for the accounting of debt proceeds. We recommend that management obtain, review, approve and record these entries annually to ensure accurate records.

Management's response: The School agrees that certain audit adjustments for the year June 30, 2022 were not recorded. The School contracted with The Optima Foundation, Inc. to provide management services to the School including but not limited to personnel management, facility operation and management, business administration, budgeting and financial reporting, maintenance of financial and student records. The School paid The Optima Foundation, Inc. in excess of \$732,000 for these services for the fiscal year ended June 30, 2023. However, The Optima Foundation, Inc. failed to record the audit adjustments provided for the year ended June 30, 2022. The governing board of the School terminated the contract with the Optima Foundation, LLC effective June 30, 2023. The governing board has put into place a management team with appropriate experience, knowledge and skill to operate the School effectively and efficiently as of July 1, 2023. The School has instituted processes and procedures to ensure all journal entries are made timely and are in agreement with audited balances.

2023-2: Accounting for Textbooks – (Improvement Point)

During the audit, we noted inconsistencies with the accounting treatment of textbooks. In previous years, management capitalized initial purchases of textbooks and depreciated the cost over five years. In the current year, management expensed these purchases. While the purchases of textbooks were not material to the financial statements, the accounting treatment was not in accordance with the Academy's capitalization policy of items greater than \$1,000.

Management's response: The School agrees textbooks were inappropriately recorded to capital assets for the year ended June 30, 2023 and agrees with the audit adjustment.

The School contracted with The Optima Foundation, Inc. to provide management services to the School including but not limited to personnel management, facility operation and management, business administration, budgeting and financial reporting, maintenance of financial and student records. The School paid The Optima Foundation, Inc. in excess of \$732,000 for these services for the fiscal year ended June 30, 2023. However, The Optima

Management Letter as Required by Section 218.39(4) Florida Statutes

Foundation, Inc. failed to properly record the purchase of certain textbooks. The School reviews the general ledger monthly to ensure all disbursements are coded correctly and in accordance with the capitalization policy.

2023-3: Reimbursement Request – (Improvement Point)

At June 30, 2023, we noted approximately \$361,000 of funds receivables due from Duval Public Schools related to one of the ESSER programs. These reimbursements should have been submitted prior to the end of the fiscal year; however, there were some delays on submission. As of issuance of our audit report, these funds were still outstanding. We recommend that management submit the requests for reimbursement more timely, and investigate outstanding receivables timely.

Management's response: The School agrees that the reimbursement of \$361,000 was not submitted in a timely manner. The School contracted with The Optima Foundation, Inc. to provide management services to the School including but not limited to personnel management, facility operation and management, business administration, budgeting and financial reporting, maintenance of financial and student records. The School paid The Optima Foundation, Inc. in excess of \$732,000 for these services for the fiscal year ending 06/30/2023. However, The Optima Foundation, Inc. failed to request the aforementioned ESSER programs reimbursement request timely. The School has instituted procedures to identify expenditures allowable under grants for reimbursement and provide a thorough reimbursement request to Duval Public Schools timely.

2023-4: Equity Rollforward – (Improvement Point)

As part of the audit, the Academy's equity did not roll forward appropriately. While the differences were not material to the financial statements, management should ensure that all changes in equity accounts are known and explained as they could impact the revenues or expenses of the Academy.

Management's response: The School agrees that the net position in the School's records did not agree with the audited net position at June 30, 2022. The School contracted with The Optima Foundation, Inc. to provide management services to the School including but not limited to personnel management, facility operation and management, business administration, budgeting and financial reporting, maintenance of financial and student records. The School paid The Optima Foundation, Inc. in excess of \$732,000 for these services for the fiscal year ended June 30, 2023. However, The Optima Foundation, Inc. failed to make audit adjustments and reconcile equity. The School has instituted processes and procedures to ensure all journal entries are made timely and are in agreement with audited balances.

Management Letter as Required by Section 218.39(4) Florida Statutes

2023-5: Accounts Payable Ledger – (Improvement Point)

During the audit, we noted certain negative balances within the accounts payable listing. While these balances were immaterial to the total, management should review the listing for any unusual amounts, investigate them, and correct them accordingly. If not corrected timely, these differences can accumulate and have a material effect during the year of correction and adjustment.

Management's Response: The School agrees there are credits received from vendors in relation to various invoices. The School contracted with The Optima Foundation, Inc. to provide management services to the School including but not limited to personnel management, facility operation and management, business administration, budgeting and financial reporting, maintenance of financial and student records. The School paid The Optima Foundation, Inc. in excess of \$732,000 for these services for the fiscal year ended June 30, 2023. However, The Optima Foundation, Inc. failed to apply these credits to the future payment of invoices. The governing board of the School terminated the contract with the Optima Foundation, LLC effective June 30, 2023. The governing board has put into place a management team with appropriate experience, knowledge and skill to operate the School effectively and efficiently as of July 1, 2023. The credits in accounts payable are being tracked and applied appropriately to future invoices.

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 Academy maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Academy maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

ADDITIONAL MATTERS

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

PURPOSE OF THIS LETTER

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

Cary Riggs & Ingram, L.L.C.

Tallahassee, Florida
October 18, 2023



Duval County Public Schools and Florida Auditor General,

We are in receipt of the audit report for the Jacksonville Classical Academy, Inc. for the fiscal year ended June 30, 2023. We have reviewed the internal control and compliance reports as well as the management letter. Our responses are included below:

2023-1: Significant Audit Entries – (Material Weakness)

During the audit, we noted that management had not recorded the adjusting journal entries provided by the predecessor auditor. Additionally, certain material adjustments were identified for the accounting of debt proceeds. We recommend that management obtain, review, approve and record these entries annually to ensure accurate records.

MANAGEMENT RESPONSE:

The School agrees that certain audit adjustments for the year June 30, 2022 were not recorded.

The School contracted with The Optima Foundation, Inc. to provide management services to the School including but not limited to personnel management, facility operation and management, business administration, budgeting and financial reporting, maintenance of financial and student records. The School paid The Optima Foundation, Inc. in excess of \$732,000 for these services for the fiscal year ended June 30, 2023. However, The Optima Foundation, Inc failed to record the audit adjustments provided for the year ended June 30, 2022.

The governing board of the School terminated the contract with The Optima Foundation, Inc. effective June 30, 2023. The governing board has put into place a management team with appropriate experience, knowledge and skill to operate the School effectively and efficiently as of July 1, 2023.

The School has instituted processes and procedures to ensure all journal entries are made timely and are in agreement with audited balances.

If you need any further information, please contact the Academy's offices at (904) 288-7732.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Rood".

John D. Rood
Chairman, Jacksonville Classical Academy

Jacksonville Classical Academy 2043 Forest St. Jacksonville, FL 32204
Main Campus