

**DISTRICT SCHOOL BOARD, CHARTER SCHOOL AND CHARTER
TECHNICAL CAREER CENTER, THE FLORIDA VIRTUAL SCHOOL
(INCLUDING FLORIDA VIRTUAL SCHOOL GLOBAL), AND
VIRTUAL INSTRUCTION PROGRAM PROVIDER
AUDIT REPORT SUBMITTAL CHECKLIST**

Entity Name: Connections Education Center of the Palm Beaches, Inc.

Entity Address: 1310 Old Congress Ave, Ste 100, West Palm Beach, FL 33409

Entity Contact Person:
Name: Debra Johnson
Title: Principal
Phone Number: 561-328-6044
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CPA or Other (if applicable):
Name: Ronald Weinbaum
Title: Partner
Phone Number: 561.998.3755
E-mail Address: rweinbaum@gallerosrobinson.com

Fiscal Year Audited: June 30, 2023

Date the auditor delivered the audit report to the entity: September 28, 2023

Does the audit report include the following items required by Sections 10.806(2) or 10.856(2), Rules of the Auditor General, as applicable?

 X Financial statements, as described in Sections 10.805(3) and 10.855(3) - (7), Rules of the Auditor General, as applicable, together with related notes to financial statements?

 X Required supplementary information such as the management's discussion and analysis?

 X The auditor's report on the financial statements?

 X The auditor's report on internal control and compliance?

 N/A Any other auditor's reports, related financial information, and auditee-prepared documents required pursuant to Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or other applicable Federal law?

 X The management letter defined in Sections 10.804(1)(f) and 10.854(1)(e), Rules of the Auditor General, as applicable?

- X The written statement of explanation or rebuttal required by Sections 10.807(1) and 10.857(2), Rules of the Auditor General, as applicable?
- N/A For district school boards that had an impact fee adopted by ordinance on their behalf, an “affidavit” signed and sworn to by the chief financial officer before an officer authorized to administer oaths (e.g., notary public) stating that the district school board complied with the requirements of Section 163.31801, Florida Statutes, as referenced by Section 10.806(2)(h), Rules of the Auditor General?

In addition to the above, have the following requirements been complied with:

- X Are all of the above elements of the audit report included in a **single document** as required by Sections 10.806(2) and 10.856(2), Rules of the Auditor General, as applicable?
- X Are **one** paper copy and **one** electronic copy of the audit report being submitted as required by Sections 10.807(3) and 10.857(4), Rules of the Auditor General, as applicable?
- X Is the electronic copy named using all lower case letters as follows: [fiscal year] [name of entity].pdf? For example, the converted document for the 2019-20 fiscal year for Alachua County District School Board should be named 2020 alachua county dsb.pdf, while the converted document for the 2019-20 fiscal year for Alachua Learning Center, Inc. should be named 2020 alachua learning center.pdf. If the charter school goes by a DBA (doing business as), use the DBA in the file name.
- X Was the audit report submitted within 45 days after receipt of the audit report from the auditor, but no later than 9 months after the end of the fiscal year as required by Section 218.39(7), Florida Statutes, as referenced by Sections 10.807(3) and 10.857(4), Rules of the Auditor General? **NOTE:** There is no provision in law authorizing an extension for filing the audit report.

This checklist should accompany the audit report. It is suggested that you retain a copy of the checklist for your files. Do not hesitate to contact us if assistance or clarification is needed regarding reporting requirements. Our contact information is as follows:

Auditor General
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, Florida 32399-1450

Telephone: (850) 412-2881

E-mail Address: flaudgen_dsb_charter@aud.state.fl.us

Web site Address: FLAuditor.gov

**CONNECTIONS EDUCATION CENTER OF
THE PALM BEACHES, INC.**

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2023

Connections Education Center of the Palm Beaches, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Connections Education Center of the Palm Beaches, Inc.
West Palm Beach, Florida

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Connections Education Center of the Palm Beaches, Inc. ("the Center"), a charter school, as of and for the fiscal year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise Connections Education Center of the Palm Beaches, Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Center, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center 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 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.

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 Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, 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 Center'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 Center'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 4–9 and 26-27 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 September 20, 2023, on our consideration of the Center’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 Center’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 Center’s internal control over financial reporting and compliance



Boca Raton, FL
September 20, 2023

**CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Our discussion and analysis of the Connections Education Center of the Palm Beaches, Inc.'s ("Center") financial program provides an overview of the Center's financial activities for the year ended June 30, 2023.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with the Center's financial statements which begin on page 10.

For financial statement purposes for the year ended June 30, 2023, the Center is not considered a component unit of the Palm Beach County District School Board, Florida, which is a primary government entity for financial reporting. The Center has included separate statements for the Balance Sheet of Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds. The Fund Financial Statements reflect financing activities of the Center by providing information on inflows and outflows of spendable resources, while the Statement of Net Position and the Statement of Activities provide information on the activities of the Center.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Center's financial position. Included in these statements are all assets and liabilities using the accrual method of accounting. All of the current year's revenues and expenses are recorded when received.

The Statement of Net Position presents information on all of the Center's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Center is improving or deteriorating.

The Statement of Activities presents information showing how the governmental net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

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 activities or objectives.

Governmental Funds - All of the Center's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending.

**CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Center's governmental activities and the basic services it provides.

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 16-24 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the Center's financial position. Current and other assets of the School, primarily consisting of cash and cash equivalents, increased as a result of the Employee Retention Credit received in the current fiscal year. Capital assets increased as a result of the Center amending its building lease and extending out the term to 12 years. Leases are now required to be reported in the statement of net position as an intangible asset titled right-to-use lease asset with a corresponding lease liability. Increase in noncurrent liabilities is a result of the increase in lease liability which is tied into the lease term. The Center's assets exceeded liabilities by \$603,119 and \$592,572 at June 30, 2023 and June 30, 2022, respectively.

NET POSITION

	2023	2022	Variance
Current assets	\$ 915,169	\$ 730,553	\$ 184,616
Capital assets	2,467,810	840,433	1,627,377
Total assets	3,382,979	1,570,986	1,811,993
Current liabilities	\$ 195,882	\$ 184,615	\$ 11,267
Non-current liabilities	2,583,978	793,799	1,790,179
Total liabilities	2,779,860	978,414	1,801,446

**CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Net Position

Investments in Capital Assets	\$ (116,168)	\$ 46,634	\$ (162,802)
Unrestricted	669,287	495,938	173,349
Restricted	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Net Position	<u>603,119</u>	<u>592,572</u>	<u>10,547</u>
Total Liabilities and Net Position	\$ <u>3,382,979</u>	\$ <u>1,570,986</u>	\$ <u>1,811,993</u>

Revenue Sources

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
State passed through local school	\$ 2,770,218	\$ 2,199,874	570,344
Federal passed through local schools	895,048	914,228	(19,180)
Interest income	2,646	3	2,643
PPP forgiveness	-	483,970	(483,970)
Other revenue	<u>1,235,738</u>	<u>1,004,454</u>	<u>231,284</u>
Total	\$ <u>4,903,650</u>	\$ <u>4,602,529</u>	\$ <u>301,121</u>

Revenues for governmental activities totaled \$4,903,650 and \$4,602,529 for the years ended June 30, 2023 and 2022, respectively. The main sources of revenue were from the Florida Education Finance Program ("FEFP"), private donations and various grants. FEFP revenues represented approximately 55% and 48%, respectively, of total revenue for the years ended June 30, 2023 and 2022. Other revenue increased from 2022 to 2023 primarily as the result of the Employee Retention Credit funds received in the current fiscal year.

**CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Expenses for major functions of the Center are shown in the following table:

	<u>2023</u>	<u>2022</u>	<u>Variances</u>
Instruction	\$ 2,255,045	\$ 2,144,979	\$ 110,066
Student support services	612,112	592,983	19,129
Instructional related technology	103,810	80,615	23,195
Board expenses	52,670	32,325	20,345
General administration	31,984	18,741	13,243
School administration	234,895	313,391	(78,496)
Facilities acquisitions & construction	365,101	238,242	126,859
Fiscal services	103,784	58,576	45,208
Pupil transportation services	106,304	36,141	70,163
Operation of plant	378,516	354,429	24,087
Maintenance of plant	-	-	-
Community activities	419,744	333,143	86,601
Interest - lease activities	<u>134,739</u>	<u>45,262</u>	<u>89,477</u>
Totals	<u>\$ 4,798,704</u>	<u>\$ 4,248,827</u>	<u>\$ 549,877</u>

The largest increases occurred in the instruction, facilities acquisitions, community activities and interest functions. The increase for instruction was primarily related to increase in ESSR funding which led to higher spending. The increase in facilities acquisitions is the result of a lease amendment which requires the Center to carry property insurance and it includes a settlement with the previous landlord. The increase in community activities is attributable to a new contract that the Center entered into with a branding/marketing company as a means to generate additional donations. Lastly, the increase in the interest function is the result of the amendment in the lease term which required the Center to adjust its lease liability and interest expense.

**CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

FUND FINANCIAL ANALYSIS

Key highlights for the fiscal years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
Revenue	\$ 4,903,650	\$ 4,118,559	\$ 785,091
Other financing sources, net of debt costs	1,977,109	21,360	1,955,749
Expenditures	<u>(6,613,011)</u>	<u>(4,237,255)</u>	<u>(2,375,756)</u>
Change in fund balance	267,748	(97,336)	365,084
Fund balance, beginning of year	545,938	643,274	(97,336)
Prior period adjustment for lease	<u>(94,399)</u>	<u>-</u>	<u>(94,399)</u>
Fund balance, end of year	\$ <u>719,287</u>	\$ <u>545,938</u>	\$ <u>173,349</u>

CURRENT YEAR VS PRIOR YEAR RESULTS

2022-2023 was the fifth year that the Center enrolled students as a charter school. Total revenue was \$4,903,650 and \$4,118,559 for the years ended June 30, 2023 and 2022, respectively. The increase in revenue was the result of the Center receiving additional funds from fundraising, ESSR and the Employee Retention Credit. Total expenses were \$6,613,011 and \$4,237,255 for the years ended June 30, 2023 and 2022, respectively. The increase in expenses is primarily attributable to an increase in facilities acquisition which requires the total lease cost amendment to be recorded as an expense on a fund basis as well as fundraising costs which resulted in the Center raising additional funds.

BUDGETARY HIGHLIGHTS – GENERAL FUND

Actual revenue was approximately \$69,000 over the budgeted revenue mostly due to additional donations received in the last quarter of the fiscal year that were not budgeted for. Actual expenses were approximately \$1,500,000 over budgeted due an increase in facilities acquisition and construction costs that weren't included in the budget to account for the increase in the total lease cost.

INVESTMENTS

In June 2021, the Center contributed \$50,000 to start the Connections Education Center Endowment Fund which is being run through the Community Foundation for the Palm Beaches and Martin Counties. These funds cannot be used for any purpose and have been recorded as restricted in the statement of net position.

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

NON-CURRENT LIABILITES

As previously noted, the Center adopted GASB No. 87 – *Leases* in the prior year which resulted in non-current lease liability on the statement of net position. Instead of expensing the lease payments, the lease liability is amortized over the life of the lease. In the current fiscal year, the lease liability increased as a result of the lease amendment extending the lease term.

PROSPECTS FOR THE FUTURE

The Center continues to search for private donors as a means to generate additional revenues to support operations. In addition, the Center is hosting its annual gala in February 2024 that is anticipated to net the Center approximately \$100,000 in donations. In addition, the Center is currently entertaining the idea of purchasing a building – either the existing one that they currently rent or another unrelated facility.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Connections Education Center of the Palm Beaches, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Connections Education Center of the Palm Beaches, Inc., 1310 Old Congress Ave., Suite 100, West Palm Beach, FL 33409.

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
STATEMENT OF NET POSITION
JUNE 30, 2023

		Governmental Activities
ASSETS		
Cash	\$	716,695
Investments		50,000
Accounts receivable, net		12,384
Due from related party		128,098
Deposit		5,000
Prepaid expenses		2,992
Capital assets, net of accumulated depreciation		2,467,810
Total assets	\$	3,382,979
LIABILITES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$	18,011
Accrued salaries and payroll deductions		177,871
Total current liabilities		195,882
NON-CURRENT LIABILITIES		
Portion due within one year		
Lease obligatons		232,448
Portion due after one year		
Lease obligatons		2,351,530
Total non-current liabilities		2,583,978
Total liabilities		2,779,860
NET POSITION		
Investment in capital assets, net of related debt		(116,168)
Unrestricted		669,287
Restricted		50,000
Total net position		603,119
Total liabilities and net position	\$	3,382,979

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

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Basic instruction	\$ 2,255,045	\$ -	\$ 384,838	\$ -	\$ (1,870,207)
Student support services	612,112	-	510,210	-	(101,902)
Instructional media services	-	-	-	-	-
Instructional staff training	-	-	-	-	-
Instructional related technology	103,810	-	-	-	(103,810)
Board	52,670	-	-	-	(52,670)
General administration	31,984	-	-	-	(31,984)
School administration	234,895	-	-	-	(234,895)
Facilities acquisition and construction	365,101	-	-	58,793	(306,308)
Fiscal services	103,784	-	-	-	(103,784)
Central services	-	-	-	-	-
Pupil transportation services	106,304	-	-	-	(106,304)
Operation of plant	378,516	-	-	-	(378,516)
Maintenance of plant	-	-	-	-	-
Community activities	419,744	-	-	-	(419,744)
Interest - lease liability	134,739	-	-	-	(134,739)
Total governmental activities	\$ <u>4,798,704</u>	\$ <u>-</u>	\$ <u>895,048</u>	\$ <u>58,793</u>	\$ <u>(3,844,863)</u>

General Revenues

Grants and contributions not restricted to specific programs	-
State revenues	2,711,425
Investment earnings	2,646
PPP loan forgiveness	-
Miscellaneous	1,235,738
Total General Revenues	<u>3,949,809</u>
Change in net position	104,946
Net position, July 1, 2022	592,572
Adjustment to prior period for lease	(94,399)
Net position, June 30, 2023	<u>\$ 603,119</u>

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

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS				
Cash	\$ 716,695	\$ -	\$ -	\$ 716,695
Investments	50,000	-	-	50,000
Accounts receivable	8,383	-	4,001	12,384
Due from funds	4,001	-	-	4,001
Due from related party	128,098	-	-	128,098
Deposit	5,000	-	-	5,000
Prepaid expenses	2,992	-	-	2,992
Total Assets	<u>\$ 915,169</u>	<u>\$ -</u>	<u>\$ 4,001</u>	<u>\$ 919,170</u>
LIABILITIES				
Accounts payable	\$ 18,011	\$ -	\$ -	\$ 18,011
Accrued salaries and payroll deductions	177,871	-	-	177,871
Due to funds	-	-	4,001	4,001
Total Liabilities	<u>195,882</u>	<u>-</u>	<u>4,001</u>	<u>199,883</u>
FUND BALANCES				
Nonspendable	7,992	-	-	7,992
Restricted	50,000	-	-	50,000
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	661,295	-	-	661,295
Total Fund Balances	<u>719,287</u>	<u>-</u>	<u>-</u>	<u>719,287</u>
Total Liabilities and Fund Balances	<u>\$ 915,169</u>	<u>\$ -</u>	<u>\$ 4,001</u>	<u>\$ 919,170</u>

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

**CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Fund Balance - Governmental Funds	\$	719,287
<p>Capital assets and right to use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Governmental capital assets	\$	3,167,781
Less accumulated depreciation and amortization		<u>(699,971)</u>
		2,467,810
<p>Lease liabilities are reported as financing sources in the general fund and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases current liabilities and does not affect the Statement of Activities.</p>		
		<u>(2,583,978)</u>
Net Position of Governmental Activites	\$	<u><u>603,119</u></u>

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

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES				
Federal passed through local school district	\$ -	\$ 556,354	\$ -	\$ 556,354
State passed through local school district	2,711,425	-	58,793	2,770,218
Other revenue	1,235,738	338,694	-	1,574,432
Investment earnings	2,646	-	-	2,646
	<u>3,949,809</u>	<u>895,048</u>	<u>58,793</u>	<u>4,903,650</u>
TOTAL REVENUES				
EXPENDITURES/EXPENSES				
Basic instruction	1,881,750	384,838	-	2,266,588
Student support services	101,902	510,210	-	612,112
Instructional related technology	103,810	-	-	103,810
Board	52,670	-	-	52,670
General administration	31,984	-	-	31,984
School administration	229,757	-	-	229,757
Facilities acquisition and construction	1,931,586	-	58,793	1,990,379
Fiscal services	103,784	-	-	103,784
Central services	-	-	-	-
Pupil transportation services	114,703	-	-	114,703
Operation of plant	365,811	-	-	365,811
Maintenance of plant	-	-	-	-
Community activities	419,744	-	-	419,744
Debt service	-	-	-	-
Principal payments - lease liability	186,930	-	-	186,930
Interest - lease liability	134,739	-	-	134,739
Total expenses	<u>5,659,170</u>	<u>895,048</u>	<u>58,793</u>	<u>6,613,011</u>
Excess (deficiency) of revenues over (under) expenses	(1,709,361)	-	-	(1,709,361)
Other financing sources				
Building lease liability	1,977,109	-	-	1,977,109
Total other financing sources	<u>1,977,109</u>	<u>-</u>	<u>-</u>	<u>1,977,109</u>
Net changes in fund balance	267,748	-	-	267,748
Fund balances, July 1, 2022	545,938	-	-	545,938
Prior period adjustment for lease	<u>(94,399)</u>	<u>-</u>	<u>-</u>	<u>(94,399)</u>
Fund balances, June 30, 2023	<u>\$ 719,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,287</u>

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

**CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2023**

Net Change in fund balances - governmental funds \$ 267,748

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 1,933,677	
Less current year depreciation and amortization	<u>(306,300)</u>	1,627,377

The issuance of noncurrent debt provides current financial resources to governmental funds. This amount represents the current year additions to noncurrent debt

	(1,977,109)	
Less current year lease repayments	<u>186,930</u>	<u>(1,790,179)</u>

Change in Net Position of Governmental Activities		\$ <u><u>104,946</u></u>
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The accompanying notes are an integral part of these basic financial statements.

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

Connections Education Center of the Palm Beaches, Inc. (the “Center”) operates as a Charter School pursuant to a Charter School Contract (“the Contract”) with the Palm Beach County District School Board, Florida (“the District”). Under the Contract, the Center provides an education to children with Autism Spectrum Disorder grades K-8 who reside in Palm Beach County. The Center was initially formed as a non-profit private school and received a tax-exempt designation effective April 20, 2015. The governing body of the Center is the Board of Directors, which is composed of eight members.

The Center is a non-profit organization and is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

The general operating authority of the Center is contained in Section 1002.33, Florida Statutes. The current charter is for a term of 10 school years commencing with the 2022 - 2023 school year. The charter may be renewed as provided in Section 1002.33, Florida Statutes, upon mutual consent of the parties and execution of a written renewal. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the Center in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown.

Criteria for determining if other entities are potential component units which should be reported within the Center’s basic financial statements are identified and described in the Governmental Accounting Standards Board’s (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the Center is financially accountable and other organizations for which the nature and significance of their relationship with the Center are such that exclusion would cause the Center’s basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Center.

As a result of implementing GASB 61, *The Financial Reporting Entity: Omnibus*, the District and its auditors are of the opinion that the Center is no longer to be treated as a component unit for financial reporting purposes. There is no change in the relationship with the District or the District’s oversight or monitoring responsibilities.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the Center. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the Center does not engage in any business type activities.

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-Wide and Fund Financial Statements (continued)

Net position, the difference between assets and liabilities, as presented in the statement of net position, are subdivided into three categories: amounts invested in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the Center has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 establishes the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent:

- Nonspendable fund balance - includes amounts that are not in a spendable form or are required to be maintained intact and that are not expected to be converted to cash.
- Restricted fund balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- Committed fund balance - includes amounts that can be used only for the specific purposes determined by a formal action of the Center's highest level of decision-making authority. Commitments may be changed or lifted only by the Center taking the same formal action that imposed the constraint originally.
- Assigned fund balance - comprises amounts intended to be used by the Center for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-Wide and Fund Financial Statements (continued)

- Unassigned fund balance - the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

Separate fund financial statements report detailed information about the Center's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All the Center's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government - wide presentation.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

The Center's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The Center reports the following major governmental funds:

General Fund — the general operating fund of the Center. It is used to account for all financial resources not required to be accounted for in another fund.

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Special Revenue Fund – to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - to account for the proceeds Capital Outlay and other revenues that are legally restricted to expenditures for capital projects.

The Center has a revenue spending policy that provides for programs with multiple revenue sources. The board of directors will use resources in the following hierarchy: debt proceeds, federal funds, state funds, local non-city funds, city funds and funds passed through the District. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The board of directors has the authority to deviate from this policy if it is in the best interest of the Center.

4. Budgetary Basis of Accounting

The Center’s annual budgets are adopted for the entire operations of the Center and may be amended by the Board of Directors (the “Board”). Since the budgetary basis differs from generally accepted accounting principles (“GAAP”), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. A reconciliation of revenues over expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

5. Cash

Cash is made up of cash on hand at the Center and/or checking and a money market account held at one financial institution. The Center has no cash equivalents.

6. Capital Assets

Capital assets, which include property, plant, and equipment and right-to-use lease assets, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the Center as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. For the year ended June 30, 2023, the Center recorded net capital assets of \$3,167,781.

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant, and equipment of the Center are depreciated using the straight-line method over the following estimated useful lives:

Asset Type	Estimated Useful Lives
Furniture, fixtures, and equipment	5 - 10
School bus	5
Right-to-use lease assets	2 - 12

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

7. Revenue Sources

Revenues for current operations are received primarily from the State of Florida passed through the District to the Center pursuant to the funding provisions included in the Center’s charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the Center reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDE) for funding through the Florida Education Finance Program (FEFP). Funding for the Center is adjusted during the year to reflect revised calculations by the FDE under the FEFP and actual weighted FTE students reported by the Center during designated FTE student survey periods.

The Center receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, miscellaneous revenues are derived from various fundraising activities and private donations.

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

9. Income taxes

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is recorded in the accompanying financial statements.

The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Center’s federal income tax returns for 2021-2023 remain subject to examination by major tax jurisdictions.

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Recent accounting pronouncement

In June 2017, the GASB issued Statement on the Governmental Accounting Standards Board (GASB) No. 87 – *Leases*. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirement of this statement is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The Center adopted this statement for the year ended June 30, 2022. The adoption did not result in any changes to previously reported amounts of net position or fund balances. See Notes C and H for additional information about the Center’s leases.

NOTE B – CONCENTRATIONS

1. Revenue Sources

As stated in Note A-7, the Center receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

<u>Sources</u>	<u>Amounts</u>
Federal grants through local district	\$ 556,354
State funding through local district	2,770,218
Employee Retention Credit	381,182
Aftercare and other revenue	<u>1,195,896</u>
	<u>\$4,903,650</u>

2. Cash

Under Chapter 280, Florida Statutes, the Center’s deposits must be placed in banks and savings and loans which are qualified as public depositories. The Center maintains cash deposits at a bank in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer and collateral pool.

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE C – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows:

	Balance at June 30, <u>2022</u>	<u>Additions</u>	Adjustments and <u>Deletions</u>	Balance at June 30, <u>2023</u>
Capital assets depreciated and amortized:				
Furniture, fixtures and equipment	\$ 142,232	\$ 35,445	\$ -	\$ 177,678
Right-to-use leased assets	1,023,060	1,880,881	-	2,903,941
Buses	<u>68,810</u>	<u>17,352</u>	<u>-</u>	<u>86,162</u>
Total assets depreciated and amortized	<u>\$ 1,234,103</u>	<u>\$ 1,933,678</u>	<u>\$ -</u>	<u>\$ 3,167,781</u>
Less Accumulated depreciation and amortization				
Furniture, fixtures and equipment	\$ 83,477	\$ 25,122	\$ -	\$ 108,599
Right-to-use leased assets	253,866	272,225	-	526,091
Busses	<u>56,327</u>	<u>8,954</u>	<u>-</u>	<u>65,281</u>
Total assets depreciated and amortized	<u>\$ 393,670</u>	<u>\$ 306,301</u>	<u>\$ -</u>	<u>\$ 699,971</u>
Total governmental activities Capital assets, net				<u>\$ 2,467,810</u>

Depreciation and amortization expense of \$306,301 was charged to the basic instruction (\$18,491), school administration (\$5,138), facilities acquisition (\$261,014), plant operation (\$12,705) and transportation services (\$8,953) functions for the year ended June 30, 2023.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due related to capital outlay as well as miscellaneous amounts due from the aftercare program. Management is of the opinion that the balance is fully collectible on June 30, 2023 and has not established an allowance for bad debts.

NOTE E – COMMITMENTS AND CONTINGENCIES

The Center receives most of its funding from the District through the Florida Education Finance Program (FEFP), which is based on the number of full-time equivalent (FTE) students attending the Center. The FTE count is subject to audit and if discrepancies are found, it could result in funds owed to the state or future decreases in funding. If any such errors were found, management has taken the position that any funds to be refunded would not be material to the Center's net financial position.

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE E – COMMITMENTS AND CONTINGENCIES (continued)

In August 2022, the Center settled a dispute with their previous landlord over common area maintenance (CAM) charges for \$51,500. This amount was recorded in the facilities and acquisition function in the statement of activities.

In the normal course of conducting its operations, the Center may become party to legal actions and proceedings. Management has determined that the ultimate resolution of such legal matters, if any, will not have a significant effect on the accompanying financial statements.

NOTE F – DEFINED CONTRIBUTION PLAN

The Center offers a defined contribution plan named Connections Education Center of the Palm Beaches 403(b) Plan. To be eligible to participate in the plan, participants must be at least 18 years old. Participants can elect to contribute up to 100% of their salary, subject to annual IRS limitations. The plan document states that the Center will not make any contributions to the plan. Therefore, for the year ended June 30, 2023, the Center made no contribution to the plan.

NOTE G – DUE FROM RELATED PARTY

During the year ended June 30, 2023, the Center shared certain employee and rent expenses with a high school located at the same facility. The allocation of shared costs was based on student count in both schools which resulted in 75% of the shared costs being allocated to the Center. These are considered arms-length transactions and on June 30, 2023, the related party owed the Center \$128,098. Management has determined this amount to be 100% collectible.

NOTE H – NONCURRENT LIABILITIES

The Center has a lease agreement for its premises. In September 2022, the landlord sold the building and the new landlord entered into an amended lease agreement for the premises which provided the Center with a lease through June 30, 2032. The amended lease also includes two additional five-year terms if the Center so chooses to extend. As a result of the lease amendment, there was an increase in the right of use asset and lease liability in these financial statements and an adjustment for \$94,399 to net assets as the accumulated change in the lease terms. The average borrowing rate was 5% which was used to discount the annual lease payments to recognize the intangible right to use this asset and the lease liability as of June 30, 2023. For the year ended June 30, 2023, interest expense totaled \$134,739, as it relates to its lease agreements. For 2023, there were no variable payments related to the lease agreement.

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE H – NONCURRENT LIABILITIES (continued)

The following table summarizes the Center’s future debt service as of June 30, 2023:

Year ending <u>June 30,</u>	Lease liability <u>Principal</u>	Lease liability <u>Interest</u>
2024	\$ 232,448	\$ 123,909
2025	236,635	112,188
2026	242,576	100,199
2027	251,386	87,907
2028	292,543	74,403
Thereafter	<u>1,328,391</u>	<u>147,966</u>
Total	<u>\$2,583,978</u>	<u>\$ 646,572</u>

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

	Balance <u>07/01/22</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>06/30/23</u>
Lease liability	\$ 793,799	\$ 1,977,109	\$ (186,930)	\$ 2,583,978

NOTE I - RISK MANAGEMENT

The Center is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Center purchases commercial insurance for all material risks of loss to which the Center is exposed, including general liability, property and workers compensation.

The Center did not have any settlements that exceeded insurance coverage for the years ended June 30, 2021 – 2023.

NOTE J – ENDOWMENT

On June 18, 2021, the Center established the Connections Education Center Endowment Fund through the Community Foundation for Palm Beach and Martin Counties with a \$50,000 contribution. These funds are presented on the statement of net position as an investment and restricted net position. These funds, plus future contributions and subsequent earnings are restricted in nature as the Center does not have control over access to them. At the current time, no funds shall be distributed from the endowment.

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE K – EMPLOYEE RETENTION CREDIT

During the fiscal year ended June 30, 2023, the Center received \$381,182 (the amount includes \$38,292 of interest) from the Internal Revenue Service for the Employee Retention Credit (ERC). The Center has elected to recognize the revenue in the current fiscal year when the ERC funds were received. The Center determined the conditions were substantially met in the current fiscal year under the conditional contribution model per ASC 958-605-25. The ERC revenue is recorded under miscellaneous income on the statement of activities.

NOTE L – COVID-19

The Center's management is unable to determine the duration and extent of the financial impact that COVID-19 will have on the Center.

NOTE M – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 20, 2023, which is the date the financial statements became available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Federal passed through local school district	\$ -	\$ -	\$ -	\$ -
State passed through local school district	2,463,458	2,463,458	2,711,425	247,967
Other revenue	1,415,072	1,415,072	1,235,738	(179,334)
Total revenues	3,878,530	3,878,530	3,947,163	68,633
Expenses				
Basic instruction	2,003,931	2,003,931	1,881,750	(122,181)
Student support services	745,967	745,967	101,902	(644,065)
Instructional related technology	73,737	73,737	103,810	30,073
Board	40,000	40,000	52,670	12,670
General administration	-	-	31,984	31,984
School administration	265,450	265,450	229,757	(35,693)
Facilities acquisition and construction	267,008	267,008	1,931,586	1,664,578
Fiscal services	59,244	59,244	103,784	44,540
Central services	-	-	-	-
Pupil transportation services	54,138	54,138	114,703	60,565
Operation of plant	310,050	310,050	365,811	55,761
Maintenance of plant	-	-	-	-
Community activities	346,926	346,926	419,744	72,818
Debt service				
Principal payments - lease liability	-	-	186,930	186,930
Interest - lease liability	-	-	134,739	134,739
Total expenses	4,166,451	4,166,451	5,659,170	1,492,719
Excess (deficiency) of revenues over (under) expenses	(287,921)	(287,921)	(1,712,007)	(1,424,086)
Other financing sources				
Building lease liability	-	-	1,977,109	1,977,109
Total other financing sources	-	-	1,977,109	1,977,109
Net change in fund balance	(287,921)	(287,921)	265,102	553,023
Fund balance, July 1, 2022	545,938	545,938	545,938	-
Fund balance, June 30, 2023	\$ 258,017	\$ 258,017	\$ 811,040	\$ 553,023

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

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2023
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Federal passed through local school district	\$ 371,541	\$ 371,541	\$ 556,354	\$ 184,813
State passed through local school district	-	-	-	-
Other revenue	-	-	338,694	338,694
	<u>371,541</u>	<u>371,541</u>	<u>895,048</u>	<u>523,507</u>
Total revenues	371,541	371,541	895,048	523,507
Expenses				
Basic instruction	234,164	234,164	384,838	150,674
Student support services	73,737	73,737	510,210	436,473
Instructional related technology	-	-	-	-
Board	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Fiscal services	63,640	63,640	-	(63,640)
Central services	-	-	-	-
Pupil transportation services	-	-	-	-
Operation of plant	-	-	-	-
Maintenance of plant	-	-	-	-
Community activities	-	-	-	-
Debt service	-	-	-	-
Principal payments - lease liability	-	-	-	-
Interest - lease liability	-	-	-	-
	<u>371,541</u>	<u>371,541</u>	<u>895,048</u>	<u>523,507</u>
Total expenses	371,541	371,541	895,048	523,507
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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



**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**

To the Board Members of
Connections Education Center of the Palm Beaches, Inc.
West Palm Beach, 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 governmental activities and each major fund the Connections Education Center of the Palm Beaches, Inc., (the "Center," a nonprofit organization), a charter school, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Connections Education Center of the Palm Beaches, Inc.'s basic financial statements, and have issued our report thereon dated September 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-01 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Gabe Robinson CMAA LLL". The signature is written in a cursive style.

September 20, 2023
Boca Raton, Florida

CONNECTIONS EDUCATION CENTER OF THE PALM BEACHES, INC.
A Charter School located in
Palm Beach County, Florida

Schedule of Current Year Findings and Responses

JUNE 30, 2023

Material Weaknesses

2023-01 – Material Adjusting Journal Entries

Criteria

The Center has an internal policy whereby if there are material or complex transactions that occur during the fiscal year that they are to discuss them in detail with the outside accountant to ensure they are reviewed, approved and properly recorded in the books and records of the Center.

Condition

Effective for fiscal years beginning after June 15, 2021, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 – *Leases*. A lessee is required to recognize a lease liability and an intangible right-to-use asset in the statement of net position. While the Center did record leases, they did not record the material increase in right to use asset for \$1,880,881 which was the result of an amended lease during the fiscal year ended June 30, 2023.

Context

The material audit adjustments were noted through our testing of certain asset, liability and expenses/expenditures accounts.

Effect

Had we not recorded the material audit adjustments, the financial statements of the Center would be materially misstated.

Cause

The Center did not follow its policy to review complex and material transaction in detail with the outside accountant to ensure they are properly reviewed, approved and recorded.

Recommendation

We recommend that the Center follow its internal procedures to ensure that all material and complex transactions are properly reviewed, approved and recorded on a timely basis with the outside accountant.

Views of Responsible Officials and Planned Corrective Actions

We discussed this finding with our third-party CPA and are in agreement that if we do enter into any additional material or complex transactions that we will be in direct contact with them to ensure the transaction is properly recorded.



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

To the Board of Directors of
Connections Education Center of the Palm Beaches, Inc.
West Palm Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Connections Education Center of the Palm Beaches, Inc., Florida, as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated September 20, 2023.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 20, 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. Finding 2022-1 from the June 30, 2022 audit remains uncorrected and is noted as Finding 2023-1 in the current year.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Connections Education Center of the Palm Beaches, Inc. and 504100.

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 Connections Education Center of the Palm Beaches, Inc. 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 Connections Education Center of the Palm Beaches, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. See our Independent Auditors' Reports on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* for recommendations to improve financial management reported therein.

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 Connections Education Center of the Palm Beaches, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Connections Education Center of the Palm Beaches, Inc. maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we 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, Federal and other granting agencies, the Board of Directors, applicable management and Palm Beach County School District and is not intended to be and should not be used by anyone other than these specified parties.



Boca Raton, FL
September 20, 2023

September 20, 2023

Galleros Robinson, CPAs, LLP
7805 NW Beacon Square Blvd., Suite 203
Boca Raton, FL 33487

This representation letter is provided in connection with your audit of the financial statements of Connections Education Center of the Palm Beaches, Inc. ("Center"), which comprise the respective net financial position of the governmental activities and each major fund as of June 30, 2023 and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 20, 2023, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 1, 2023, including our responsibility for the preparation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. We have recorded all proposed journal entries.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Material concentrations have been appropriately disclosed in accordance with US GAAP.
11. Guarantees, whether written or oral, under which we are contingently liable, if any, have been properly recorded or disclosed.

Information Provided

12. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- d. Minutes of the meetings of entity or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - o Management,
 - o Employees who have significant roles in internal control, or
 - o Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
17. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
18. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. In August 2022 we had a mediation with our previous landlord and settled on \$51,500 for CAM charges as full and final settlement.
19. We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.
20. We participate in a cost sharing agreement with Connections High School & Vocational Center, Inc. where certain shared employee wages and benefits and rent are allocated between the schools. We recorded a receivable due from Connections High School & Vocational Center, Inc., a related party, for \$128,098 at June 30, 2023. We believe this amount is fully collectible and it can be repaid in full by June 30, 2023 if needed.

Government – specific

21. We have made available to you all financial records and related data.
22. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
23. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
24. The entity has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
25. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
26. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
27. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
28. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
29. The Center has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
30. The Center has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
31. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

32. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
33. The financial statements properly classify all funds and activities.
34. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
35. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
36. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
37. Provisions for uncollectible receivables have been properly identified and recorded.
38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
39. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
41. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
42. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
43. We have appropriately disclosed the Center's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
44. The Center is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Center's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

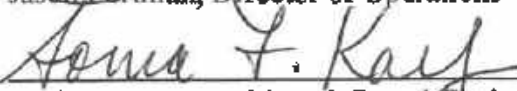
45. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
46. We contributed \$50,000 during the year end June 30, 2021 to start an endowment. We did not record the earnings in 2021 – 2023 as they were immaterial to the financial statements. This contribution plus earnings received thereon are considered restricted in nature and have been recorded as such in the financial statements.
47. We did not properly record the additional right to use asset and lease liability resulting from the building lease amendment which extended the lease term. We agree with the material weakness comment 2023-01 which is a repeat (with minor changes) of the comment 2022-01 from prior year.
48. With respect to Management’s Discussion & Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Funds and Special Revenue Funds:
 - a. We acknowledge our responsibility for presenting Management’s Discussion & Analysis and Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund and Special Revenue Fund in accordance with accounting principles generally accepted in the United States of America, and we believe Management’s Discussion & Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund and Special Revenue Fund, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund and Special Revenue Fund have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.



Debra Johnson, Executive Director & Principal



Jason Portman, Director of Operations



Sonia F. Kay, President & Board Chair