San Jose Prep

(A charter school under Bold City Education, Inc. f/k/a River City Education Organization, Inc.)

(A Charter School and Component Unit of The District School Board Of Duval County, Florida)

Jacksonville, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2023

TABLE OF CONTENTS

General Information 1
Independent Auditors' Report. 2-4
Management's Discussion and Analysis
(Required Supplementary Information) 5-9

Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Position. 10
Statement of Activities. 11
Fund Financial Statements:
Balance Sheet - Governmental Funds. 12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position... 13
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds. 14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities. 15
Notes to the Basic Financial Statements 16-26

Required Supplementary Information:
Budgetary Comparison Schedules 27-28

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* 29-30
Management Letter 31-34

San Jose Prep
(A charter school under Bold City Education, Inc.)

4072 Sunbeam Road,
Jacksonville, Florida 32257

2022-2023

Board of Directors

Bonnie Arnold, Founding Chair
Juan Carlos Gonzalez, Chair
Gary Wheeler, Vice-Chair/ Secretary
Jerry Jeakle, Treasurer
Sarah Mathis, Board Member

School Administration

Sarah Thurlow, Principal

HLB GRAVIER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
San Jose Prep
Jacksonville, Florida

Disclaimer Opinion

We were engaged to audit the accompanying financial statements of the governmental activities and each major fund of San Jose Prep ("School"), a charter school under Bold City Education, Inc.(f/k/a River City Education Organization, Inc.) and component unit of the District School Board of Duval County, Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

We do not express an opinion on the accompanying financial statements of San Jose Prep. Because of the significance of the matters described in the Basis for Disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinions

During the year, the School experienced turnover, due to allegations of mis-use of management authority, in key personnel 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. As a result, there was a significant gap in internal controls preventing financial data from being accumulated and recorded in a timely manner under the School's established internal control system, which is designed to ensure that management is able to provide assertions as to the accuracy and valuation, existence, completeness, rights and obligations and presentation and disclosure of recorded balances and amounts. Accordingly, current management was unable to provide such assertions on the School's financial statement, because of the pervasiveness of these matters, we were unable to obtain sufficient audit evidence to provide an opinion on these financial statements.

Emphasis of a Matter – Presentation

As described in Note 1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2023, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Bold City Education, Inc. These financial statements do not purport to and do not present fairly the financial position of Bold City Education, Inc. as of June 30, 2023, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 San Jose Prep'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 responsibility is to conduct an audit of San Jose Prep's financial statements in accordance with auditing standard 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, and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of San Jose Prep and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our 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 5 through 9 and 27 to 28 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. Because of the significance of the matters discussed in the basis for disclaimer of opinion paragraph, we do not express an opinion or provide any assurance on the information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 11, 2023

Management's Discussion and Analysis
San Jose Prep
(A Charter school Under Bold City Education, Inc.)
June 30, 2023

The corporate officers of Bold City Education, Inc. have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2023.

Financial Highlights

1. The net position of the School at June 30, 2023 was a deficit of $350,943.
2. At year-end, the School had current assets on hand of $474,323.
3. The School had a decrease in its net position of $79,361.
4. The unassigned fund balance at year end was $216,705.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2023 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10 - 11 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements. All of the funds of the School are governmental funds. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Government Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for its major governmental funds to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

Notes to 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 - 26 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net deficit position was $350,943 at the close of the fiscal year. A summary of the School's net position as of June 30, 2023 and 2022 is as follows:

	2023	2022
Current assets:		
Cash and cash equivalent	$ 379,464	$ 78,504
Due from government agencies	48,278	52,502
Accounts receivable, no allowance necessary	33,808	33,808
Prepaid expenses and other assets	12,773	12,773
Capital and right-of-use capital assets, net	23,221,459	23,931,800
Total Assets	23,695,782	24,109,387
Deferred outflows of resources	-	-
Current liabilities:		
Accounts payable	65,123	170,127
Due to charter holder	179,722	-
Lease liability	23,801,880	24,210,842
Total Liabilities	24,046,725	24,380,969
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	(159,191)	291,219
Unrestricted	(191,752)	(562,801)
Total Net Position	$ (350,943)	$ (271,582)

At the end of both fiscal years, the School report deficit balances in total net position.

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2023 and 2022 is as follows:

	2023	2022
REVENUES		
Program Revenues		
Operating Grants and Contributions	$ 934,651	$ 84,366
Capital grants and contributions	347,882	307,282
Charges for Services and other revenues	17,964	1,145
General Revenues		
Local sources(FTE non specific)	4,777,455	4,419,598
Charges for Services and other revenues	959,941	735,749
Total Revenues	$ 7,037,893	$ 5,548,140
EXPENSES		
Governmental Activities:		
Instruction	$ 2,607,867	$ 2,130,400
Student support services	280,811	253,480
Instructional and development	1,122	-
Instructional staff training	2,118	12,672
Instructional related technology	53,805	61,348
Board	56,713	74,146
General administration	861,650	1,029,757
School administration	432,377	471,355
Facilities acquisition	-	172,083
Fiscal services	96,668	132,663
Food services	448,064	219,510
Central services	13,984	39,977
Pupil transportation	35,056	9,113
Operation of plant	630,712	675,332
Maintenance of plant	64,906	26,436
Administrative technology services	34,668	273
Community services	2,273	1,253
Debt Service - Interest	725,039	733,459
Unallocated depreciation and amortization	769,421	749,726
Total Expenses	7,117,254	6,792,983
(Decrease)/Increase in Net Position	(79,361)	(1,244,843)
Net Position at Beginning of Year, as restated	(271,582)	973,261
Net Position at End of Year	$ (350,943)	$ (271,582)

The School's revenues increased by $1,489,753 and expenses increased by $324,271, respectively. The School had a decrease in its net position of $79,361 for the year.

School Location and Lease of Facility

The School's leased facilities are located at 4072 Sunbeam Road, Jacksonville, Florida 32257.

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

School Enrollment

This past year, the School had an average of 643 students enrolled in grades six to twelve.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of $229,478. The fund balance unassigned and available for spending at the School's discretion is $216,705. These funds will be available for the School's future ongoing operations.

Capital Assets

The School's investment in capital assets as of June 30, 2023 amounts to $279,253 (net of accumulated depreciation) and right of use lease asset (building) $22,942,206 (net of accumulated amortization). This investment in capital assets includes right of use lease asset (building), furniture, fixtures and computer equipment. As of June 30, 2023, the School had long term liabilities and leasehold improvements of $23,801,880 associated to its capital assets.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Capital grants and contributions	$ 1,056,000	$ 994,338	$ 994,338
Federal sources	$308,577	$934,651	934,651
Lunch fees	-	17,964	17,964
General Revenues			
FTE nonspecific revenues	5,050,633	4,777,455	4,777,455
Charges for services and other revenues	752,550	313,485	313,485
Total Revenues	7,167,760	7,037,893	7,037,893
CURRENT EXPENDITURES			
Governmental Activities:			
Instruction	3,021,887	2,607,867	2,607,867
Student support services	298,895	280,811	280,811
Instructional and development	1,000	1,122	1,122
Instructional staff training	1,000	2,118	2,118
Instructional related technology	28,370	53,805	53,805
Board	135,714	56,713	56,713
General administration	992,174	861,650	861,650
School administration	317,242	432,377	432,377
Facilities acquisition	82,892	-	-
Fiscal services	131,857	96,668	96,668
Food services	141,332	448,064	448,064
Central services	88,229	13,984	13,984
Pupil transportation	1,443	35,056	35,056
Operation of plant	624,800	630,712	630,712
Maintenance of plant	32,524	64,906	64,906
Administrative technology services	232	34,668	34,668
Community Services	-	2,273	2,273
Total Current Expenditures	$ 5,899,591	$ 5,622,794	$ 5,622,794

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year.

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to San Jose Prep, 4072 Sunbeam Road, Jacksonville, Florida 32257.

San Jose Prep
(A Charter School under Bold City Organization, Inc.)

Statement of Net Position
June 30, 2023

	Government Governmental Activities
Assets	
Current Assets:	
Cash and cash equivalents	$ 379,464
Due from governmental agencies	48,278
Accounts receivable	33,808
Prepaid expenses and other current assets	12,773
Total Current Assets	474,323
Capital assets, depreciable	788,689
Less: accumulated depreciation	(509,436)
Right of use lease asset	24,253,189
Less: accumulated amortization	(1,310,983)
Total capital assets	23,221,459
Total Assets	23,695,782
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable and accrued expenses	65,123
Due to charter holder	179,722
Lease liability, current	421,230
Total Current Liabilities	666,075
Lease liability	23,380,650
Total Liabilities	24,046,725
Net Position	
Net investment in capital assets	(159,191)
Unrestricted	(191,752)
Total Net Position	$ (350,943)

The accompanying notes are an integral
part of this financial statement

San Jose Prep
(A Charter School under Bold City Organization, Inc.)

Statement of Activities
For the year ended June 30, 2023

Primary Government:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:					
Instruction	$ 2,607,867	$ -	628,433	$ -	$ (1,979,434)
Student support services	280,811	-		-	(280,811)
Instructional and development	1,122				(1,122)
Instructional staff training	2,118	-	-	-	(2,118)
Instructional related technology	53,805				(53,805)
Board	56,713	-	-	-	(56,713)
General administration	861,650	-	-	-	(861,650)
School administration	432,377	-	-	-	(432,377)
Fiscal services	96,668	-	-	-	(96,668)
Food services	448,064	17,964	306,218	-	(123,882)
Central services	13,984	-	-	-	(13,984)
Pupil transportation	35,056	-	-	-	(35,056)
Operation of plant	630,712	-	-	-	(630,712)
Maintenance of plant	64,906	-	-	-	(64,906)
Administrative technology services	34,668	-	-	-	(34,668)
Community services	2,273	-	-	-	(2,273)
Unallocated depreciation and amortization	769,421				(769,421)
Debt service	725,039	-	-	347,882	(377,157)
Total governmental activities	7,117,254	17,964	934,651	347,882	(5,816,757)

General revenues:	
FTE and other nonspecific revenues	4,777,455
Property Taxes, Levied for Capital Projects	646,456
Interest and other revenue	313,485
Change in net position	(79,361)
Net position, beginning, as restated	(271,582)
Net position, ending	$ (350,943)

The accompanying notes are an integral part of this financial statement

San Jose Prep
(A Charter School under Bold City Organization, Inc.)

Balance Sheet - Governmental Funds
June 30, 2023

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 379,464	$ -	$ 379,464
Accounts receivable, no allowance necessary	33,808	-	33,808
Due from other agencies	-	48,278	48,278
Due from fund	48,278	-	48,278
Prepaid expenses and other assets	12,773	-	12,773
Total Assets	474,323	48,278	522,601
Deferred Outflows of Resources	-	-	-
Liabilities			
Accounts Payable	65,123	-	65,123
Due to charter holder	179,722	-	179,722
Due to fund	-	48,278	48,278
Total Liabilities	244,845	48,278	293,123
Deferred Inflows of Resources	-	-	-
Fund Balance			
Nonspendable, not in spendable form	12,773	-	12,773
Assigned	-	-	-
Unassigned	216,705	-	216,705
	229,478	-	229,478
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 474,323	$ 48,278	$ 522,601

The accompanying notes are an integral part of this financial statement

San Jose Prep
(A Charter School under Bold City Organization, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds		$ 229,478
Amounts reported for governmental activities in the statement of net position are different because:		
Depreciable and non-depreciable capital assets net of accumulated depreciation and amortization used in governmental activities are not financial resources and therefore are not reported in the fund.		
Capital assets, depreciable	788,689	
Less: accumulated depreciation	(509,436)	
Right-of-use lease asset	24,253,189	
Less: accumulated amortization	(1,310,983)	23,221,459
Long-term liabilities in governmental activities are not due and payable in the current period and therefore, are not reported in the governmental funds.		(23,801,880)
Total Net Position - Governmental Activities		$ (350,943)

The accompanying notes are an integral part of this financial statement

San Jose Prep
(A Charter School under Bold City Organization, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
State capital outlay funding	$ -	$ -	$ 347,882	$ 347,882
Local capital improvement revenue	-	-	646,456	646,456
State passed through local	4,777,455	-	-	4,777,455
Federal sources	-	934,651	-	934,651
Lunch fees	-	17,964		17,964
Charges and other revenue	313,485	-	-	313,485
Total Revenues	5,090,940	952,615	994,338	7,037,893
Expenditures:				
Current				
Instruction	1,979,434	628,433	-	2,607,867
Student support services	280,811	-	-	280,811
Instructional and development	1,122			1,122
Instructional staff training	2,118	-	-	2,118
Instructional related technology	53,805			53,805
Board	56,713	-	-	56,713
General administration	861,650	-	-	861,650
School administration	432,377	-	-	432,377
Fiscal services	96,668	-	-	96,668
Food services	-	448,064	-	448,064
Central services	13,984	-	-	13,984
Pupil transportation	35,056	-		35,056
Operation of plant	630,712	-	-	630,712
Maintenance of plant	64,906	-	-	64,906
Administrative technology services	34,668	-	-	34,668
Community services	2,273	-	-	2,273
Capital Outlay:				
Other capital outlay	59,080	-	-	59,080
Debt Service:				
Redemption of Principal	-	-	408,962	408,962
Interest	-	-	725,039	725,039
Total Expenditures	4,605,377	1,076,497	1,134,001	6,815,875
Excess (deficit) of revenues over expenditures	485,563	(123,882)	(139,663)	222,018
Other financing sources (uses)				
Transfers in (out)	(263,545)	123,882	139,663	-
Net change in fund balance	222,018	-	-	222,018
Fund Balance at beginning of year, as restated	7,460	-	-	7,460
Fund Balance at end of year	$ 229,478	$ -	$ -	$ 229,478

The accompanying notes are an integral part of this financial statement

San Jose Prep
(A Charter School under Bold City Organization, Inc.)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
June 30, 2023

Net Change in Fund Balance - Governmental Funds		$222,018
Amounts reported for governmental activities in the statement of activities are different because:		
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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation and amortization expense.		
Capital Outlay	59,080	
Depreciation and amortization expense	(769,421)	(710,341)
Principal payments on long-term liabilities		408,962
Change in Net Position of Governmental Activities		$ (79,361)

The accompanying notes are an integral
part of this financial statement

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

San Jose Prep ("School"), a charter school under Bold City Education, Inc., and is a component unit of the District School Board of Duval County, Florida. The School is sponsored by its charter-holder, Bold City Education, Inc., which was previously known as River City Educational Services, Inc. a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of Bold City Education, Inc., as of June 30, 2023, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Duval County School Board, Florida, ("District"). The charter was renewed commencing July 1, 2021 and is effective until June 30, 2026, and the charter is subject to annual review and may be renewed by mutual agreement between the School and the District. 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 this case, the District is required to notify the school 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. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

Basis of Presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Inter-fund Transfers

Inter-fund receivables/payables ("due from/to") are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Government-wide and 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 report information about the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues, and other miscellaneous sources.

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. The School reports the following major governmental funds with all other non-major funds aggregated in a single column:

Note 1 – Summary of Significant Accounting Policies (continued)

General Fund - is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

Special Revenue Fund – accounts for specific revenues, such as federal funding, federal lunch program, and COVID-19 emergency relief funding that are legally restricted to expenditures for particular purposes. Also, accounts for resources of the School's Internal Fund, which is used to administer monies collected in connection with school, student athletics, class, and club activities.

Capital Projects Fund - is used to account for the resources restricted for the acquisition or construction of specific capital assets and from state and local capital funding that are legally restricted to expenditures for particular purposes.

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance.*

The government-wide statements report using the economic resources measurement focus and the full 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.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the School provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues and other miscellaneous sources.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

Cash and Investments

Cash and cash equivalents are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The School's cash consists primarily of demand deposits with financial institutions.

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School capitalizes assets with cost of $1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the government wide statements. Proceeds received from the sale or disposal of capital assets are recorded as Other Financing Sources in the governmental funds.

The right of use assets are initially measure at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Estimated useful lives, in years, for depreciable assets are as follows:

Right-of-use asset (building)	35 Years
Furniture, Fixtures and Equipment	3 - 5 Years

Note 1 – Summary of Significant Accounting Policies (continued)

Long-Term Debt and Liabilities

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. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Revenue Sources

Revenues for current operations are received primarily from the state through District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report 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 the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities. In addition, the School may receive a portion of the local capital improvement ad valorem tax revenues levied by the District.

Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Net Position and Fund Balance Classifications

Government-wide financial statements

Equity is classified as net position and displayed in three (3) components:

a) Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.

Note 1 – Summary of Significant Accounting Policies (continued)

b) Restricted net position - consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.

c) Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for a specific purpose, it is the District's policy to use restricted resources first, until exhausted, before using unrestricted resources.

Fund financial statements

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

a) Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.

c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.

d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. The assigned balances at year end pertain to the School's Internal Account.

e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Note 1 – Summary of Significant Accounting Policies (continued)

Income Taxes

Bold City Education, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Prepaid Expenses and Other Assets

Other assets consist mainly of prepaid expenses which are payments for goods or services that have not been consumed or used at year end. The expenditure will be recorded when the asset is used. Accordingly, prepaid expenses are equally offset by a non-spendable fund balance classification.

New Accounting Standard Adopted

In fiscal year 2023, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The adoption had no material effect on the School's 2023 financial statements.

Pronouncements Issued But Not Yet Effective

GASB has issued GASB Statement No. 101, Compensating Absences. This Statement provides guidance on the accounting and financial reporting for certain types of compensated absences including parental leave, military leave, and injury duty leave. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through December 11, 2023, which is the date the financial statements were available to be issued.

Note 2 –Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2023:

	Balance 07/01/22	Additions	Retirements/ Reclassifications	Balance 06/30/23
Capital Assets, non-depreciable				
Improvements other than building	$ 146,140	$ 45,362	$ -	$ 191,502
Furniture, fixtures and equipment	583,469	13,718	-	597,187
Total Capital Assets	$ 729,609	$ 59,080	$ -	$ 788,689
Less Accumulated Depreciation:				
Improvements other than building	$ (24,431)	$ (27,274)	$ -	$ (51,705)
Furniture, fixtures and equipment	(371,076)	(86,655)	-	(457,731)
Total Accumulated Depreciation	$ (395,507)	$ (113,929)	$ -	$ (509,436)
Total Capital Assets, being depreciated net	$ 334,102	$ (54,849)	$ -	$ 279,253
Lease Assets:				
Right of use lease asset (building)	$24,253,189	$ -	$ -	$24,253,189
Less accumulated amortization	(655,491)	(655,492)	-	(1,310,983)
Total Lease Assets being amortized, net	$23,597,698	$ (655,492)	$ -	$22,942,206
Governmental Activities Capital Assets, net	$23,931,800	$ (710,341)	$ -	$23,221,459

Note 3 – Cash and Cash Equivalents

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School does not have a custodial credit risk policy. All cash deposits are held in banks that qualify as public depositories under Florida law. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company (FDIC) up to $250,000. As of June 30, 2023, the School was to custodial credit risk of $826,639.

Note 4 –Operating agreement and transactions within other divisions of Bold City Education, Inc.

The School entered into a contract effective July 1, 2020, with San Jose Schools Support, LLC (SJSS). The contract calls for SJSS to provide a broad range of administrative services to the School for a fee of 8% of State revenues. Fees under this agreement incurred to SJSS during the fiscal year amounted to $475,528.

The accounts receivable/payables balances in the statement of net position and the balance sheet – governmental funds are amounts due from San Jose Schools Support, LLC., the School's management company, for shared expenditures with San Jose Primary, San Jose Cyber and San Jose Early College at Cecil, charter schools under the same charter holder. The School expects to receive full payment within one year from the financial statement date and no allowance for uncollectible accounts has been established.

Note 5 –Interfund Transfers

Interfund transfers in government funds as of June 30, 2023 consists of the followings:

	General Fund	Special Revenue Fund	Capital Projects Fund
To fund lunch deficit	$ (123,882)	$ 123,882	$ -
To fund debt service payments	(139,663)	-	139,663
Total Transfers, net	$ (263,545)	$ 123,882	$ 139,663
Due from/(Due to) fund balances are as follows:			
Due to General Fund from Capital Projects Fund for capital outlay	$ 48,278	$ -	$ (48,278)
Total Due from/(Due to)	$ 48,278	$ -	$ (48,278)

Note 6 – Long-Term Liabilities

The School entered into a 35-year lease for its educational facility starting July 1, 2021. The lease contains required monthly minimum lease payments as of that date and thereafter. The fair value of the leased asset is $15,618,974. Amortization of the leased asset recorded under this lease is included with depreciation/amortization expense in the accompanying financial statements.

The School has implemented GASB Statement No. 87 Leases, and as a result recorded a lease right of use asset and liability in these financial statements. At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The School has used an average effective interest for several borrowings during fiscal year 2021 and 2022. The average borrowing rate was 3% 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, 2022.

For the year ended June 30, 2023, interest expense totaled $725,039, as it relates to its lease agreements. For the year ended June 30, 2023, variable credits and other payments of $203,575 in connection with the lease agreement not previously included in the measurement of the lease liability were recorded as miscellaneous revenue.

Annual requirements to amortize the lease liability and related interest are as follows:

Year	Principal	Interest	Total	
2024	421,230	712,770	1,134,000	
2025	433,867	700,133	1,134,000	
2026	446,883	687,117	1,134,000	
2027	460,289	673,711	1,134,000	
2028	474,098	659,902	1,134,000	
2029-2033	2,592,563	3,077,437	5,670,000	(Total for a five year period.)
2034-2038	3,005,491	2,664,509	5,670,000	(Total for a five year period.)
2039-2043	3,484,188	2,185,812	5,670,000	(Total for a five year period.)
2044-2048	4,039,129	1,630,871	5,670,000	(Total for a five year period.)
2049-2053	4,682,457	987,543	5,670,000	(Total for a five year period.)
2054-2057	3,718,800	250,200	3,969,000	(Total for a four year period)
	$ 23,758,997	$ 14,230,003	$ 37,989,000	

Note 6 – Long-Term Liabilities (continued)

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

	Balance 07/01/22	Additions	Deletions	Balance 06/30/23
Lease liability	$ 24,210,842	$ -	$ (408,962)	$ 23,801,880
	$ 24,210,842	$ -	$ (408,962)	$ 23,801,880

Note 7 – Commitments, Contingencies and Concentrations

The School previously entered into long-term leases for certain equipment which consisted of technology and HVAC equipment. The technology equipment consists of two 36-month lease at interest rates of 7.96% and 10.37% and total monthly payments are $2,197 with a fair market value purchase option at the end of the lease. The HVAC equipment is a 60-month lease at interest rates of 9.99%. Monthly payments are $1,379 with a $1 purchase option at the end of the lease. The balances remaining on the leases were $15,273 due in the fiscal year 2023-2024.

All the School's revenues (except for revenues restricted or assigned for specific programs) are pledged to the lease and security agreement for the outstanding principal and interest balance until maturity. The revenues pledged during the school year ended June 30,2023, exceeded the required principal and interest for that period.

Contingencies and Concentrations

The School receives substantially all of its funding from state through the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs.

The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School receives various forms of federal, state and local funding which are subject to financial and compliance audits. It is the opinion of management that the amount of funding, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee based on the qualifying revenues of the School. For the year ended June 30, 2023, administrative fees withheld by the School District totaled $88,397.

Note 8 – Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage in any of the past three fiscal years. In addition, there were no reductions in insurance coverage from those in the prior year.

Note 9 – Pension Plan

The School participated in a defined contribution 401(k) retirement plan. The School contributed a 6% maximum match for participating employees. Contributions made by the School totaled $6,555 for the year ended June 30, 2023. Contributions are directed to individual employee's accounts, and the individual employees allocate contributions and account balances among various available investment choices, therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly, the present value of the related benefits is not reflected in these financial statements. The rate of contribution is set annually by the School's Board of Directors.

Note 10 – Restatement

The School has determined a restatement to the beginning net position was required to reflect the correct calculation of the amortization expense based on the right of use lease implementation and a correction of the recorded federal revenues for the year ended June 30, 2022. The effect of the restatements resulted in a decrease to the beginning net position of the government wide financial statements by $1,958,558 which is made up of an increase in the accumulated amortization related to the right of use lease asset (building) by $ 570,261 and a decrease of the federal revenues of $1,388,297.

REQUIRED SUPPLEMENTARY INFORMATION

San Jose Prep
(A Charter School under Bold City Organization, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2023

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	$ 5,050,633	$ 4,777,455	$ 4,777,455
Charges and other revenue	752,550	313,485	313,485
Total Revenues	5,803,183	5,090,940	5,090,940
EXPENDITURES			
Current:			
Instruction	2,860,883	1,979,434	1,979,434
Student support services	287,214	280,811	280,811
Instructional and development	1,000	1,122	1,122
Instructional staff training	1,000	2,118	2,118
Instructional related technology	28,370	53,805	53,805
Board	135,714	56,713	56,713
General administration	992,174	861,650	861,650
School administration	317,242	432,377	432,377
Facilities acquisition	82,892	-	-
Fiscal services	131,857	96,668	96,668
Food services	5,440	-	-
Central services	88,229	13,984	13,984
Pupil transportation	1,443	35,056	35,056
Operation of plant	624,800	630,712	630,712
Maintenance of plant	32,524	64,906	64,906
Administrative technology services	232	34,668	34,668
Community services	-	2,273	2,273
Total Current Expenditures	5,591,014	4,546,297	4,546,297
Excess (Deficit) of Revenues Over Current Expenditures	212,169	544,643	544,643
Capital Outlay			
Other Capital Outlay	-	59,080	59,080
Total Capital Outlay and Debt Service Expenditures	-	59,080	59,080
Total Expenditures	5,591,014	4,605,377	4,605,377
Excess (Deficit) of Revenues Over Expenditu	212,169	485,563	485,563
Other financing sources (uses):			
Transfers in (out)	-	(263,545)	(263,545)
Net change in fund balance	212,169	222,018	222,018
Fund Balance at beginning of year	7,460	7,460	7,460
Fund Balance at end of year	$ 219,629	$ 229,478	$ 229,478

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

San Jose Prep
(A Charter School under Bold City Organization, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2023

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding			
Local capital improvement revenue			-
Federal sources	$308,577	$934,651	$ 934,651
Lunch fees	-	17,964	17,964
Charges and other revenue	-	-	-
Total Revenues	308,577	952,615	952,615
EXPENDITURES			
Current:			
Instruction	161,004	628,433	628,433
Student support services	11,681	-	-
Instructional staff training	-	-	-
Food services	135,892	448,064	448,064
Maintenance of plant	-	-	-
Community services	-	-	-
Total Current Expenditures	308,577	1,076,497	1,076,497
Deficit of Revenues Over Current Expenditures	-	(123,882)	(123,882)
Deficit of Revenues Over Expenditures	-	(123,882)	(123,882)
Other financing sources (uses)			
Transfers in (out)	-	123,882	123,882
Net change in fund balance	-	-	-
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	$ -	$ -	$ -

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

HLB GRAVIER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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 of Directors of
San Jose Prep
Jacksonville, Florida

We were engaged to 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 (Government Auditing Standards), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of San Jose Prep as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise San Jose Prep's basic financial statements, and have issued our report thereon dated December 11, 2023. Our report disclaims an opinion on such financial statements because of the matters disclosed in the Basis for Disclaimer of Opinion section of that report.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of San Jose Prep, we considered San Jose Prep'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 San Jose Prep's internal control. Accordingly, we do not express an opinion on the effectiveness of San Jose Prep's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Appendix to Management Letter, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 San Jose Prep's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Appendix to Management Letter as item ML 23-01 to be material weakness.

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of San Jose Prep, 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 engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standard*. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

San Jose Prep's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the San Jose Prep's response to the findings identified in our engagement and described in the accompanying Appendix to Management Letter. San Jose Prep's response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the response.

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 San Jose Prep's internal control or on compliance. This report is an integral part of an engagement to perform in accordance with *Government Auditing Standards* in considering San Jose Prep's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, FL
December 11, 2023

HLB GRAVIER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT LETTER

To the Board of Directors of
San Jose Prep
Jacksonville, Florida

Report on the Financial Statements

We were engaged to audit the financial statements of San Jose Prep, Jacksonville, Florida as of and for the fiscal year ended June 30, 2023 and have issued a disclaimer of opinion thereon dated December 11, 2023.

Auditor's Responsibility

We were engaged to audit, in accordance with the 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 the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules which are dated December 11, 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 or recommendations made 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 and the school code assigned by the Florida Department of Education of the entity is San Jose Prep.

Financial Condition and Management

Section 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 San Jose Prep has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that San Jose Prep 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 San Jose Prep. It is management's responsibility to monitor San Jose Prep'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.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendation to improve financial management. In connection with our audit, we have the recommendations which are described in the accompanying appendix to the management letter as item ML – 23-01.

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 San Jose Prep maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that San Jose Prep 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 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 Florida House of Representatives, the Florida Auditor General, School Board of Duval County, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

HLB Gravier, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 11, 2023

Appendix to Management Letter
Current Year's Observations, Recommendations, and Management's Responses
June 30, 2023

ML – 23-01 Internal Control

Criteria: 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 and 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.

Condition: During the year, there was a significant period (Gap) in which the School's established internal control policies and procedure over financial reporting and compliance were not followed.

Cause: The School experienced turnover in key personnel and external vendors 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.

Effect: The Gap in internal control prevented financial data from being accumulated and recorded in a timely manner. Accordingly, current management is unable to provide assertions as to the accuracy and valuation, existence, completeness, rights and obligations, presentation and disclosure of recorded balances and amounts nor ensure 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.

Recommendation: We recommend that current management continue their efforts to re-establish the School's internal control to ensure that they can meet their responsibility of preparing and presenting fair 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 and ensure 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.

Views of Responsible Officials: See Letter Attached

Regino Rodriguez, CPA
HLB Gravier, LLP
396 Alhambra Circle, 9th floor
Coral Gables, FL 33134

RE: Response to Management Letter — San Jose Prep

Mr. Rodriguez:

I am writing on behalf of Bold City Education, Inc. f/k/a River City Education Organization, Inc. ("Bold City") in response to the findings and recommendations in the Management Letter issued by HLB Gravier, LLP in relation to the audit of San Jose Prep (the "School") for the fiscal year ending June 30, 2023.

ML–23-01 Internal Control

Bold City acknowledges that there were certain gaps in the School's internal controls and financial reporting for the 22-23 fiscal year. These gaps were primarily caused by the failure of a key employee to follow the School's internal controls and ensure proper recordkeeping. There also appears to have been insufficient recordkeeping on the part of an outside contractor that provided back office and financial services to the School. Once Bold City identified this issue, the employee in question resigned from the organization. The contractor in question was also replaced by a new outside contractor, Building Hope Services, LLC, that took over the School's finances and reporting as of May 1, 2023.

Bold City has taken significant measures to strengthen its financial controls and ensure that all financial data is appropriately accumulated and recorded. Since Building Hope began servicing the School in May 2023, there has been appropriate backup maintained for all financial transactions, including for the months of May through June 2023. Bold City has strengthened transparency and accountability by, among other things, granting bank account view access to more key personnel, adding additional layers of review for financials, moving to an electronic bill pay system, and opening additional bank accounts for each cost center. Bold City is also working to hire an in-house Chief Financial Officer to oversee the School's financials and adherence to generally accepted accounting principles. These measures will ensure greater accountability and an absence of data gaps in future fiscal years.

Sincerely,

Ryan Rewey, Interim CEO
Bold City Education, Inc.