

TALLAHASSEE CLASSICAL SCHOOL, INC.

TALLAHASSEE, FLORIDA
(A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF LEON COUNTY, FLORIDA)

**BASIC FINANCIAL STATEMENTS, INDEPENDENT
AUDITOR'S REPORT AND SUPPLEMENTAL
INFORMATION**

JUNE 30, 2025

TALLAHASSEE CLASSICAL SCHOOL, INC.
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
JUNE 30, 2025

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TALLAHASSEE CLASSICAL SCHOOL, INC.

4141 Artemis Way
Tallahassee, FL 32311
(850) 296-1970

2024-2025

BOARD OF DIRECTORS

Mr. Louis Jean-Baptiste, Title Chairman
Mr. Olugbenga Moses Anubi, Title Member
Mr. Drew Meiner, Title Member
Ms. Lindsay Hoyt, Title Treasurer

SCHOOL ADMINISTRATION

Ms. Hannah Pitts, Principal



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Tallahassee Classical School, Inc.,
a Charter School and Component Unit of the
District School Board of Leon County, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Tallahassee Classical School, Inc., a charter school and component unit of the District School Board of Leon County, Florida, as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Correction of an Error

As described in Note 15 to the financial statements, the School adjusted net position for amounts incorrectly recorded in the prior period.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the School was not in compliance with the covenants outlined in their bond agreement during the year. The School has entered into a forbearance agreement and is in the process of obtaining a waiver. As a part of the Forbearance agreement, the School had certain terms that they were required to comply with. As of the date of the financial statements, the School was unable to comply with all of the terms as outlined in

the Forbearance agreement. Among the requirements, the School is required to increase enrollment. While the School has not increased enrollment to the level required by the Forbearance agreement, the School has been able to raise enrollment to a level that alleviated the substantial doubt regarding the School's ability to continue as a going concern. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 GAAS 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison Schedule, and Note to Required Supplementary Information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide 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 October 16, 2025, 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, 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 School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Verdeja - Alvarez, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 16, 2025

Management's Discussion and Analysis Tallahassee Classical School, Inc.

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Tallahassee Classical School, Inc., ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2025.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements, as listed in the table of contents.

FINANCIAL HIGHLIGHTS

1. The unassigned fund balance at year end was \$62,497.
2. The School reported a total fund balance of \$802,891.

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, 2025 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 between the four 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 9-10 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.

Management’s Discussion and Analysis
Tallahassee Classical School, Inc.

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 the major governmental funds to demonstrate compliance with the School’s budget.

The basic governmental fund financial statements can be found on pages 11-14 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 15-24 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 position (deficit) was (\$2,473,206) at the close of the fiscal year. A summary of the School’s net position as of June 30, 2025 and 2024 is as follows:

	Assets	2025	2024
Cash		\$ 176,009	\$ 126,742
Restricted cash		1,036,397	1,392,816
Accounts receivable		13,622	43,077
Prepaid expenses		9,987	13,930
Capital assets, net		11,147,078	11,452,274
Total Assets		<u>\$12,383,093</u>	<u>\$ 13,028,839</u>
Liabilities and Net Position			
Accounts payable and accrued expenses		\$ 127,133	\$ 142,318
Accrued interest payable		305,991	311,116
Long-term debt		14,423,175	14,625,392
Total Liabilities		14,856,299	15,078,826
Net investment in capital assets, net of related debt		(3,276,097)	(3,173,118)
Restricted		1,036,397	1,392,816
Unrestricted		(233,506)	(269,685)
Total Net Position		<u>(2,473,206)</u>	<u>(2,049,987)</u>
Total Liabilities and Net Position		<u>\$12,383,093</u>	<u>\$ 13,028,839</u>

Management's Discussion and Analysis

Tallahassee Classical School, Inc.

Prior year amounts have been restated to include accrued bond interest previously excluded. The effect of the restatement to prior year was as follows: to (1) increase accrued interest payable (and total liabilities) by \$311,116; (2) decrease in Net Position by \$311,116.

The following is a summary of the School's change in net position for the current and prior year:

REVENUES	2025	2024
Program revenues		
Contributions and other grants	\$ 222,493	\$ 431,066
Capital grants	260,109	-
General revenues		
FEFP nonspecific revenue	2,783,119	3,546,604
Revenue from state sources	21,742	267,871
Other income	330,637	353,606
Total Revenues	\$ 3,618,100	\$ 4,599,147
EXPENSES		
Instruction	\$ 1,590,755	\$ 2,371,959
Instructional support services	154,454	94,318
School administration	425,430	363,570
Fiscal services	58,478	49,353
Food services	150,358	195,408
General and administrative	160,265	305,014
Board expenses	69,443	163,905
Operation of plant	645,238	420,350
Maintenance of plant	17,609	3,205
Administrative technology services	78,478	93,103
Community services	21,365	40,941
Debt services	669,446	646,758
Total Expenses	4,041,319	4,747,884
Change in Net Position	(423,219)	(148,737)
Net Position at Beginning of Year	(2,049,987)	(1,901,250)
Net Position at End of Year	\$ (2,473,206)	\$ (2,049,987)

The School's total revenue decreased by approximately \$981,000. While the School's total expenses decreased by approximately \$706,000

Prior year amounts have been restated to include bond interest previously excluded. The effect of the restatement to prior year was as follows: (1) to increase debt services by \$311,116.

Management's Discussion and Analysis
Tallahassee Classical School, Inc.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$802,891.

BUDGETARY HIGHLIGHTS

The General Fund and Debt Service Fund budgets for the fiscal year ended June 30, 2025, were developed based on the School's anticipated revenues and expenditures, the expected student population, and Federal grant programs for the school year. Over the course of the year, management monitors the budgets and may revise the budgets. Refer to the Budgetary Comparison Schedule for additional information.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2025, amounts to \$11,147,078 (net of accumulated depreciation). This investment in capital assets includes land, buildings and fixed equipment, improvements other than buildings, and furniture, fixtures, and equipment. Additional information regarding the School's capital assets can be found in the notes to the financial statements.

DEBT

In December 2021, the School issued Educational facilities Revenue Bonds totaling \$14,740,000. The primary purpose was to pay off an existing \$12,900,000 loan obtained from CLI Capital for the purchase of land and construction of its educational facility. The bonds carry interest rates ranging from 4 percent to 5.125 percent with principal and interest payments due over the next 35 years.

In June 2020, the School received an Economic Injury Disaster Loan from the SBA for \$52,800 to be used for operating expenses. The loan carries an interest rate of 2.75% for 30 years. Additional information regarding the School's debt can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Tallahassee Classical School, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Tallahassee Classical School, Inc., 4141 Artemis Way, Tallahassee, FL 32311.

TALLAHASSEE CLASSICAL SCHOOL, INC.
STATEMENT OF NET POSITION
JUNE 30, 2025

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 176,009
Restricted cash, held by trustee	1,036,397
Accounts receivables	13,622
Deposits	<u>9,987</u>
TOTAL CURRENT ASSETS	1,236,015
CAPITAL ASSETS, NET	<u>11,147,078</u>
TOTAL ASSETS	<u>\$ 12,383,093</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable and accrued expenses	\$ 127,133
Accrued interest payable	305,991
SBA loan payable, current portion	1,324
Bonds payable, current portion	<u>215,000</u>
TOTAL CURRENT LIABILITIES	649,448
SBA loan payable, non-current portion	47,137
Bonds payable, non-current portion	<u>14,159,714</u>
TOTAL LIABILITIES	<u>14,856,299</u>
NET POSITION	
Invested in capital assets, net of related debt	(3,276,097)
Restricted	1,036,397
Unrestricted net position (deficit)	<u>(233,506)</u>
TOTAL NET POSITION (DEFICIT)	<u>(2,473,206)</u>
TOTAL LIABILITIES AND NET POSITION (DEFICIT)	<u>\$ 12,383,093</u>

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

TALLAHASSEE CLASSICAL SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions	Expenses	Program Revenues			Net (Expense) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 1,590,755	\$ -	\$ 77,171	\$ -	\$ (1,513,584)
Instructional support services	154,454	-	4,203	-	(150,251)
School administration	425,430	-	-	-	(425,430)
Fiscal services	58,478	-	-	-	(58,478)
Food services	150,358	41,964	108,395	-	1
General and administrative	160,265	-	-	-	(160,265)
Board expenses	69,443	-	-	-	(69,443)
Operation of plant	645,238	-	32,724	260,109	(352,405)
Maintenance of plant	17,609	-	-	-	(17,609)
Administrative technology services	78,478	-	-	-	(78,478)
Community services	21,365	-	-	-	(21,365)
Debt services	669,446	-	-	-	(669,446)
Total Governmental Activities	\$ 4,041,319	\$ 41,964	\$ 222,493	\$ 260,109	\$ (3,516,753)

GENERAL REVENUES:

Grants and contributions not restricted to specific programs	\$ 2,783,119
Revenues from state sources	21,742
Interest and other revenue	288,673
Total general revenues	<u>3,093,534</u>

Change in Net Position (423,219)

NET POSITION (DEFICIT) - BEGINNING, as restated (2,049,987)

NET POSITION (DEFICIT) - ENDING \$ (2,473,206)

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

TALLAHASSEE CLASSICAL SCHOOL, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 176,008	\$ -	\$ 1	\$ 176,009
Restricted cash, held by trustee	-	1,036,397	-	1,036,397
Accounts receivables	-	-	13,622	13,622
Due from other fund	13,622	-	-	13,622
Deposits	9,987	-	-	9,987
TOTAL ASSETS	\$ 199,617	\$ 1,036,397	\$ 13,623	\$ 1,249,637
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 127,133	\$ -	\$ -	\$ 127,133
Accrued interest payable	-	305,991	-	305,991
Due to other fund	-	-	13,622	13,622
TOTAL LIABILITIES	127,133	305,991	13,622	446,746
FUND BALANCE				
Nonspendable				
Prepaid expenses and other deposits	9,987	-	-	9,987
Restricted	-	730,406	1	730,407
Unassigned	62,497	-	-	62,497
TOTAL FUND BALANCE	72,484	730,406	1	802,891
TOTAL LIABILITIES AND FUND BALANCE	\$ 199,617	\$ 1,036,397	\$ 13,623	\$ 1,249,637

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

TALLAHASSEE CLASSICAL SCHOOL, INC.
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2025

Total Fund Balance - Governmental Funds \$ 802,891

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

Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the fund.

Capital assets	12,667,461
Accumulated depreciation	(1,520,383)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

SBA loan payable	(48,461)
Bonds	(14,374,714)

Total Net Position - Governmental Activities	\$ (2,473,206)
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The accompanying notes are an integral part of this financial statement.

TALLAHASSEE CLASSICAL SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue from state sources	\$ 21,742	\$ -	\$ -	\$ 21,742
Contributions and other grants	2,783,119	-	-	2,783,119
State capital outlay funding	-	-	260,109	260,109
Federal through state and local	-	-	222,493	222,493
Interest and other income	226,093	62,580	41,964	330,637
TOTAL REVENUES	\$ 3,030,954	\$ 62,580	\$ 524,566	\$ 3,618,100
EXPENDITURES				
Current:				
Instruction	\$ 1,513,584	\$ -	\$ 77,171	\$ 1,590,755
Instructional support services	150,251	-	4,203	154,454
School administration	419,474	-	-	419,474
Fiscal services	58,478	-	-	58,478
Food services	-	-	150,358	150,358
General and administrative	160,265	-	-	160,265
Pupil transportation services	69,443	-	-	69,443
Operation of plant	313,274	-	32,724	345,998
Administrative technology services	78,478	-	-	78,478
Central services	21,365	-	-	21,365
Maintenance of plant	17,609	-	-	17,609
Capital Outlay:				
Other capital outlay	-	-	-	-
Debt Service:				
Redemption of principal	1,288	200,000	-	201,288
Interest	48,272	622,103	-	670,375
TOTAL EXPENDITURES	2,851,781	822,103	264,456	3,938,340
Excess of expenditures over revenues	179,173	(759,523)	260,110	(320,240)
OTHER FINANCING SOURCES				
Transfers in (out) from funds	(148,120)	408,229	(260,109)	-
Total other financing sources	(148,120)	408,229	(260,109)	-
Net change in fund balance	31,053	(351,294)	1	(320,240)
Fund balance at beginning of year, as restated	41,431	1,081,700	-	1,123,131
Fund balance at end of year	\$ 72,484	\$ 730,406	\$ 1	\$ 802,891

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

TALLAHASSEE CLASSICAL SCHOOL, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Change in Fund Balance - Governmental Funds \$ (320,240)

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.

Capital outlays	-
Depreciation expense	(305,196)

The proceeds from loans and note payables provide current financial resources to governmental funds, but increases long-term liabilities in the statement of net assets. Repayment of advance principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Repayments of principal	201,288
Amortization of premiums	929

In the statement of activities, amortization of the right-of-use asset is reported as an expense over the estimated life of the lease, however, in the governmental funds it is not included as an expenditure.

Change in Net Position of Governmental Activities \$ (423,219)

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

**TALLAHASSEE CLASSICAL SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Tallahassee Classical School, Inc., (“School”) is 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 general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Leon County, Florida, (“District”). The current charter is effective until June 30, 2030, 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

Government-wide Financial Statements:

Government-wide financial statements, including the statement of Net Position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

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, and liabilities, deferred inflows of resources, equity, revenues and expenditures. The School reports the following major governmental funds with all non-major funds aggregated in a single column:

TALLAHASSEE CLASSICAL SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

Debt Service Fund – to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Basis Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Cash and Cash Equivalents

The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term liquid investments with original maturities of 3 months or less from the date of acquisition.

Cash deposits consist of demand deposits with local financial institutions. Deposits on hand at this financial institution are insured by the Federal Deposit Insurance Company up to \$250,000.

Investments

The School had not adopted a written investment policy. Therefore, pursuant to Florida Statutes, the School is authorized to invest in the Florida PRIME investment pool, administered by the State Board of Administration (SBA); Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

TALLAHASSEE CLASSICAL SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (continued)

The School’s investments are set aside to make debt service payments, maintain sinking or reserve funds, and to purchase or construct capital assets and are classified as restricted. These investments are reported as Restricted for Debt Service on the Statement of Net Position and restricted in the Debt Service Fund in the Balance Sheet – Governmental Funds.

Capital Assets

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of Net Position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$2,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Fixed Equipment	39 years
Improvements Other Than Buildings	15 years
Furniture, Fixtures and Equipment	5 years

Long-term Debt

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Current-year information relative to changes in long-term debt is described in subsequent notes.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for 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(s) 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 financial 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(s) and so will not be recognized as an inflow of resources (revenue) until then. The School does not have any items that qualify for reporting in this category.

TALLAHASSEE CLASSICAL SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position and Fund Balance Classification

Governmental Fund Balances

Net Position is classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

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

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

The School’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

TALLAHASSEE CLASSICAL SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Sources

Revenues for current operations are received primarily from the State through the 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. The School receives Federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For Federal or state 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.

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.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Compensated Absences

For all full-time, regular, 10-month employees (meaning employees whose position requires them to work only during the academic school year, approximately 10 months of the year), PTO is accrued at the rate of 8 hours per month. Each fiscal year (July 1 through June 30), 10-month employees are eligible to earn up to a maximum of 80 hours of PTO. At the end of a fiscal year, exempt 10-month employees are eligible for PTO buyback for up to five (5) days of accrued but unused PTO. PTO buyback is at the substitute teacher rate in effect at the time of the buyback. Under the School's policy, any unused PTO at the end of the fiscal year expires and is not carried forward.

In accordance with GASB Statement No. 101, Compensated Absences, the School records a liability for PTO as it is earned by employees because it is attributable to services already rendered, accumulates, and is more likely than not to be either used for time off or paid through the School's buyback provision. Because unused PTO does not carry over beyond the fiscal year and is not paid out, no liability for PTO is recorded at year-end.

TALLAHASSEE CLASSICAL SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (continued)

The School also provides certain days to be used for specific personal matter such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Income Tax

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related note to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Use of Estimates

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of Net Position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. See Note 13.

NOTE 2 – CASH DEPOSITS

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. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. As of June 30, 2025, the School was not exposed to custodial credit risk.

NOTE 3 – INVESTMENTS

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

All of the School's recurring fair value measurements as of June 30, 2025, are valued using quoted market prices (Level 1 inputs). The School's investments at June 30, 2025, are reported as follows:

	<u>Debt Service Reserve</u>	
UMB Bank		\$ 1,036,397

This investment is reported as restricted cash for financial statement reporting purposes.

TALLAHASSEE CLASSICAL SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 4 – DUE FROM OTHER AGENCIES

The amounts Due from Other Agencies included in the accompanying statement of net position and balance sheet – governmental funds consists of amounts due from the Florida Department of Education funds for Charter School Capital Outlay recorded in the Capital Projects Fund due from the District. These receivables are considered to be fully collectible and as such, no allowance for uncollectible is accrued.

NOTE 5 – CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Balance			Balance
	July 1, 2024	Additions	Deletions/Transfers	June 30, 2025
Capital Assets, depreciable:				
Building	\$ 11,348,093	\$ -	\$ -	\$ 11,348,093
Furniture and equipment	29,779	-	-	29,779
Improvements to property	124,659	-	-	124,659
Capital Assets, not being depreciated:				
Land	1,164,930	-	-	1,164,930
Total Capital Assets	<u>12,667,461</u>	<u>-</u>	<u>-</u>	<u>12,667,461</u>
Less Accumulated Depreciation				
Building	\$ (1,163,908)	\$ (290,929)	\$ -	\$ (1,454,837)
Furniture and equipment	(22,008)	(5,956)	-	(27,964)
Improvements to property	(29,271)	(8,311)	-	(37,582)
Total Accumulated Depreciation	<u>(1,215,187)</u>	<u>(305,196)</u>	<u>-</u>	<u>(1,520,383)</u>
Capital Assets, net	<u>\$ 11,452,274</u>	<u>\$ (305,196)</u>	<u>\$ -</u>	<u>\$ 11,147,078</u>

All depreciation expense was \$305,196 and was shown included in the Operation of plant (\$299,240) and School administration (\$5,956) and on the Statement of Activities.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The School’s General Fund is owed \$13,622 from the Capital Projects Fund for payment of Charter School Capital Outlay from the District. The amount of interfund receivables and payables are netted together and not reported on the statement of net position.

TALLAHASSEE CLASSICAL SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 7 – NOTE PAYABLE

The School entered into an agreement with the Small Business Administration (“SBA”) for an Economic Injury Disaster Loan of \$52,800 dated June 14, 2020, that matures on June 14, 2050. The loan bears interest at 2.75% per annum, and interest accrues from the loan date to the first payment date. Principal and interest payments began on June 14, 2021. In the event of default the SBA may require immediate payment of all amounts owed under this note, file suit and obtain judgement, or take possession of any collateral.

Annual requirements to amortize the note outstanding as of June 30, 2025, follows:

Fiscal Year Ended	Principal	Interest	Total
2026	\$ 1,324	\$ 1,388	\$ 2,712
2027	1,360	1,352	2,712
2028	1,397	1,315	2,712
2029	1,436	1,276	2,712
2030	1,539	1,173	2,712
2031-2035	8,359	5,201	13,560
2036-2040	9,591	3,969	13,560
2041-2045	11,704	2,558	14,262
2046-2050	11,751	937	12,688
	<u>\$ 48,461</u>	<u>\$ 19,169</u>	<u>\$ 67,630</u>

NOTE 8 – BONDS PAYABLE

Revenue Bonds Series 2021A and 2021B – On December 28, 2021, the School issued tax-exempt revenue bonds (Series 2021A) for \$13,905,000 and taxable revenue bonds (Series 2021B) for \$835,000 secured by a mortgage on the property and buildings. The bonds were issued to finance the acquisition of facilities to be used as a nonprofit charter school educational facility.

Series 2021A bonds are term bonds paying interest semi-annually at a rate ranging from 4% to 4.375% with maturities starting July, 1, 2027, and ending July 1, 2056. Series 2021B bonds are term bonds paying interest semi-annually at a rate of 5.125% with maturities starting July, 1, 2023, and ending July 1, 2026.

As required by the bond resolution, the School has established a reserve account and has accumulated and maintained adequate resources in the account. The School is required to disclose its debt service coverage ratio and days cash on hand as described in the Loan Agreement. The School covenants and agrees to have a long-term debt ratio of at least 1.1 to 1 as of June 30, 2025. The debt service ratio was calculated at .15 at June 30, 2025. Further, the School agrees to have cash on hand of at least 30 days on June 30, 2025 and June 30, 2025, and at least 45 days each June 30 thereafter. The days cash on hand was calculated at 16 days as of June 30, 2025.

During the year, the School defaulted on the Bonds. As such, the entered into a forbearance agreement with the Trustee. See Note 13.

TALLAHASSEE CLASSICAL SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 8 – BONDS PAYABLE (Continued)

Bonds payable at June 30, 2025, are as follows:

	Balance July 1, 2024	Additions	Repayments/ Amortization	Balance June 30, 2025	Due in One Year
Bonds payable	\$ 14,545,000	\$ -	\$ (200,000)	\$ 14,345,000	\$ 215,000
Unamortized bond payable	30,643	-	(929)	29,714	
Total Bond payable	\$ 14,575,643	\$ -	\$ (200,929)	\$ 14,374,714	

Annual requirements to amortize all bonded debt outstanding as of June 30, 2025, are as follows:

Fiscal Year Ended	Principal	Interest	Total
2026	\$ 215,000	\$ 606,472	\$ 821,472
2027	225,000	595,197	820,197
2028	230,000	584,831	814,831
2029	240,000	575,431	815,431
2030	245,000	565,731	810,731
2031-2035	1,390,000	2,669,755	4,059,755
2036-2040	1,700,000	2,357,444	4,057,444
2041-2045	2,090,000	1,958,282	4,048,282
2046-2050	2,560,000	1,465,920	4,025,920
2051-2055	3,160,000	856,660	4,016,660
2056-2057	2,290,000	119,000	2,409,000
	<u>\$ 14,345,000</u>	<u>\$ 12,354,723</u>	<u>\$ 26,699,723</u>

NOTE 9 – FUNDING AND CREDIT CONCENTRATIONS

The School receives substantially all of its support and revenue from Federal, state and local funding sources, passed through the District, in the form of performance and budget-based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

NOTE 10 – PENSION PLAN

The School participates in a defined contribution tax sheltered annuity SIMPLE plan under IRS regulation Section 408(p) plan. Eligible employees are allowed to contribute to the plan and the School is obligated to match the employee's contribution up to 3 percent of their annual salary. 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 can be changed annually by the School's Board of Directors.

NOTE 11 – RISK MANAGEMENT PROGRAMS

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

TALLAHASSEE CLASSICAL SCHOOL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 12 – COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2025, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 13 – FORBEARANCE AGREEMENT

As noted in Note 8, the School issued tax-exempt revenue bonds in December of 2021. During the year, the School entered into a forbearance agreement with the Trustee. The Trustee agreed to defer monthly installment payments under the loan agreement of principal and interest in exchange for the School participating in the provisions outlined in the agreement, such as operating milestones, cash flow forecast, supplemental reporting, monthly conference calls, collateral pledge, and deposit account control agreement. Although, the School failed to meet the enrollment milestones outlined in the forbearance agreement, the School has been able to increase enrollment to a level that management believes would help sustain operations going forward. The School is in discussions with the Trustee to amend the forbearance agreement. In addition to amending the forbearance agreement, management has formulated a plan that includes increasing the enrollment in lower grades, potentially removing grades with low enrollment, and obtaining a bridge loan from Building Hope, if necessary. Management believes that these plans alleviate the factors that contributed to the substantial doubt.

NOTE 14 – LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2025, the School identified that amounts associated with bond interest payable were not included in the previously issued financial statements. Accordingly, the prior year financial statements have been restated to include this activity.

The effect of this adjustment was to decrease beginning net position at July 1, 2024 by \$311,116. The prior year presentation has been adjusted to conform with the current year presentation.

REQUIRED SUPPLEMENTAL INFORMATION

TALLAHASSEE CLASSICAL SCHOOL, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Revenue from state sources	\$ 2,816,394	\$ 21,742	\$ 21,742
Contributions and other grants	-	2,783,119	2,783,119
Other income	263,027	226,093	226,093
TOTAL REVENUES	\$ 3,079,421	\$ 3,030,954	\$ 3,030,954
EXPENDITURES			
Instruction	\$ 1,709,651	\$ 1,513,584	\$ 1,513,584
Instructional support services	12,000	150,251	150,251
School administration	440,657	419,474	419,474
Fiscal services	153,629	58,478	58,478
General and administrative	76,559	160,265	160,265
Pupil transportation services	-	69,443	69,443
Operation of plant	306,938	313,274	313,274
Administrative technology services	78,300	78,478	78,478
Central services	-	21,365	21,365
Maintenance of plant	40,000	17,609	17,609
Debt Service:			
Redemption of principal	-	1,288	1,288
Interest	-	48,272	48,272
TOTAL EXPENDITURES	2,817,734	2,851,781	2,851,781
Change in fund balance before other financing sources	261,687	179,173	179,173
Transfers in (out) from funds	-	(148,120)	(148,120)
Net change in fund balance	\$ 261,687	\$ 31,053	\$ 31,053

See accompanying note to the required supplemental information.

TALLAHASSEE CLASSICAL SCHOOL, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Debt Service Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Interest income	\$ -	\$ 62,580	\$ 62,580
TOTAL REVENUES	<u>-</u>	<u>62,580</u>	<u>62,580</u>
EXPENDITURES			
Debt Service:			
Redemption of principal	200,000	200,000	200,000
Interest	617,106	622,103	622,103
TOTAL EXPENDITURES	<u>817,106</u>	<u>822,103</u>	<u>822,103</u>
Change in fund balance before other financing sources	(817,106)	(759,523)	(759,523)
Transfers in (out) from funds	-	408,229	408,229
Net change in fund balance	<u>\$ (817,106)</u>	<u>\$ (351,294)</u>	<u>\$ (351,294)</u>

See accompanying note to the required supplemental information.

TALLAHASSEE CLASSICAL SCHOOL, INC.
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

NOTE A – BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Board. The budget presented for the year ended June 30, 2025, has been amended according to Board procedures. During the fiscal year, expenditures were controlled at the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general and special revenue funds for which a legally adopted budget exists.

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay).



INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors of
Tallahassee Classical School, Inc.
Tallahassee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Tallahassee Classical School, Inc. (the "School"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 16, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Verdeja - Alvarez, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 16, 2025



MANAGEMENT LETTER

Board of Directors of
Tallahassee Classical School, Inc.
Tallahassee, Florida

Report on the Financial Statements

We have audited the financial statements of Tallahassee Classical School, Inc. (the "School"), a non-major component unit of the District School Board of Leon County, Florida, as of and for the fiscal year ended June 30, 2025, and have issued our report thereon dated October 16, 2025.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which is dated October 16, 2025, 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 audit report.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity and the school code assigned by the Florida Department of Education of the entity are Tallahassee Classical School #371451.

Financial Condition and Management

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

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The financial condition assessment procedures applied in connection with our audit, has lead us to believe that the School's overall financial condition as of June 30, 2025 is not deteriorating.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we have the following recommendations:

2025-1: Total Deficit in Net Position

Observation

Pursuant to Sections 218.39(5), Florida Statutes, the auditor must notify each member of the governing body for which a fund balance deficit in total or for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net assets deficit, as reported on the fund financial statements of entities required to report under governmental financial reporting standards or on the basic financial statements of entities required to report under not-for-profit financial reporting standards, for which sufficient resources of the local governmental entity, charter school, charter technical career center, or district school board, as reported on the fund financial statements, are not available to cover the deficit.

Condition

The School has a total net position deficit of \$2,473,206 at June 30, 2025.

Cause

Although the School reflected a positive fund balance during the year and at year end, the School reflected a deficit in net position due to their investments in capital assets during the current year.

Effect

A continued deficit position may impair the School's ability to meet future obligations and maintain operations.

Recommendation

The School needs to continue to properly budget its expected expenditures and revenues for the following school year so that it can continue to improve its financial position.

Management response

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintains the most recent governing board minutes on its web site.

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 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, and applicable management and Tallahassee Classical School, Inc. is not intended to be and should not be used by anyone other than these specified parties.

Verdeja - Alvarez, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 16, 2025