



Pinecrest Cove Academy
WL# 5049
(A Charter School under Pinecrest Academy, Inc.)

Miami, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2019

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Pinecrest Cove Academy
WL# 5049

Site 1 - 4101 SW 107 ave
Site 2 - 4301 SW 107 ave
Miami, FL 33165

2018-2019

BOARD OF DIRECTORS

Judith Marty, Chair and President, Director
Shannie Sadesky, Vice-Chair, Director
Juan Molina, Secretary, Director
Carlos Alvarez, Director
Erin Demirjian, Director

SCHOOL ADMINISTRATION

Susie Dopico, Principal



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pinecrest Cove Academy
Miami, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pinecrest Cove Academy (the "School"), a charter school under Pinecrest Academy, Inc., as of, and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pinecrest Cove Academy as of June 30, 2019, 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.

Other Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Pinecrest Cove Academy as of June 30, 2019, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Pinecrest Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Pinecrest Academy, Inc. as of June 30, 2019 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2019, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 29 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Coral Gables, Florida
September 10, 2019

CERTIFIED PUBLIC ACCOUNTANTS

Management’s Discussion and Analysis
Pinecrest Cove Academy
(A Charter School Under Pinecrest Academy, Inc.)
June 30, 2019

The corporate officers of the Pinecrest Cove Academy (the “School”) have prepared this narrative overview and analysis of the School’s financial activities for the fiscal year ended June 30, 2019.

Financial Highlights

1. The net position of the School at June 30, 2019 was \$5,188,298.
2. At year-end, the School had current assets of \$3,458,824.
3. The net position of the School increased by \$1,152,973 during the year.
4. The unassigned fund balance at year end was \$3,013,739.

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, 2019 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 outflow 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 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.

All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental 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 - 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 - 28 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, assets exceeded liabilities by \$5,188,298 at the close of the fiscal year. A summary of the School's net position as of June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 474,983	\$ 442,455
Investments	2,808,000	1,790,000
Prepaid expenses	93,842	91,199
Due from other agencies	81,999	17,130
Deposits receivable, long term	3,064	3,064
Capital assets, net	677,653	625,802
Due from other divisions of Pinecrest Academy, Inc.	1,400,000	1,400,000
Total Assets	<u>5,539,541</u>	<u>4,369,650</u>
Deferred outflows of resources	-	-
Accounts payable and accrued liabilities	351,243	334,325
Total Liabilities	<u>351,243</u>	<u>334,325</u>
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	677,653	625,802
Unrestricted	4,510,645	3,409,523
Total Net Position	<u>\$ 5,188,298</u>	<u>\$ 4,035,325</u>

At the end of the year, the School is able to report positive balances in its total net position.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
REVENUES		
Program Revenues		
Capital outlay funding	\$ 560,461	\$ 541,623
Operating grants and contributions	375,451	362,951
Lunch program fees	104,359	65,404
Charges for Services	154,705	129,586
General Revenues		
Local Sources (FTE and other non specific)	6,782,928	6,654,675
Other Revenues	129,229	98,162
Total Revenues	<u>\$ 8,107,133</u>	<u>\$ 7,852,401</u>
EXPENSES		
Governmental Activities:		
Instruction	\$ 3,459,211	\$ 3,292,492
Student support services	24,517	49,142
Instructional staff training	2,871	5,448
Board	48,520	48,206
School administration	755,512	733,916
Facilities acquisition	669	669
Fiscal services	142,200	140,625
Food services	368,638	349,684
Central services	194,430	207,826
Operation of plant	1,680,990	1,425,442
Maintenance of plant	161,483	112,690
Administrative technology services	45,735	41,894
Community Services	69,384	-
Total Expenses	<u>6,954,160</u>	<u>6,408,034</u>
Increase in Net Position	1,152,973	1,444,367
Net Position at Beginning of Year	4,035,325	2,590,958
Net Position at End of Year	<u>\$ 5,188,298</u>	<u>\$ 4,035,325</u>

The School's revenue increased by \$254,732 and expenditures increased by \$546,126. The School had an increase in its net position of \$1,152,973 for the current year.

Lease of Facility

The School leases a facility located at 4101 SW 107th Avenue, Miami FL, 33175 and 4301 SW 107th Avenue, Miami, FL 33175.

Capital Improvement Requirements

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

Accomplishments

In 2019, Pinecrest Cove Academy completed its sixth year of operations, enrolling 967 students in grades Kindergarten – 8th grade. The School earned a letter grade of "A" for the 8th

consecutive year, and ranked among the highest performing K-8 public schools in Miami-Dade County.

Pinecrest Cove Academy offers its students a technology-rich learning environment including 5 full classroom labs and a laptops, iPads, and Chromebooks in addition to a state-of-the-art media center.

This past year, Pinecrest Cove students participated in various community service projects and fundraisers such as Scholastic Book Fair, United Way, Walk-A-Thon, Stingray Fest, Live Like Bella, Autism Speaks and other community service initiatives. Students were recognized for their participation and performance in the Spelling Bee, Geography Bee, Youth Fair Robotics, Invention Convention, Cheerleading Competition, Basketball Tournament, and Volleyball Tournament. Pinecrest Cove students also participated in various clubs and team sports (FEA, Close-up, National Honor Society, Writing Club, Art Club, Spanish Club, Dance, Cheerleading, Basketball & Volleyball), as well as school-based musical productions such as the Holiday Show and Spring Talent Show.

Pinecrest Cove Academy provides an innovative, challenging curriculum in a loving environment that furthers a philosophy of respect and high expectations for all students, parents, teachers, and staff. The school offers a nurturing and academically challenging elementary and middle school environment including an advanced curriculum for middle school students including Algebra I and Physical Science with a focus on STEM and Robotics.

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 \$3,107,581. The fund balance unassigned and available for spending at the School's discretion is \$3,013,739. 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, 2019 amounts to \$677,653 (net of accumulated depreciation). This investment in capital assets includes building improvements, audiovisual and software and furniture, fixtures and equipment. The School had no long term debt 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			
State capital outlay funding	\$ 475,000	\$ 569,780	\$ 560,461
Federal sources	350,000	369,500	375,451
Lunch program	100,000	103,000	104,359
General Revenues			
FTE and other nonspecific revenues	6,707,000	6,780,008	6,782,928
Charges and other revenues	407,800	285,400	283,934
Total Revenues	<u>\$ 8,039,800</u>	<u>\$ 8,107,688</u>	<u>\$ 8,107,133</u>
CURRENT EXPENDITURES			
Governmental Activities			
Instruction	\$ 3,582,013	\$ 3,353,038	\$ 3,320,788
Student support services	47,218	25,823	24,517
Instructional staff training	45,000	5,050	2,871
Board	20,500	50,480	48,520
School administration	775,338	770,434	749,768
Food services	270,918	360,460	348,925
Fiscal services	142,500	142,200	142,200
Central services	142,500	195,200	194,430
Operation of plant	1,761,378	1,717,023	1,653,270
Maintenance of plant	105,000	161,000	151,577
Administrative technology services	72,625	47,750	45,735
Community Services	80,263	70,000	69,384
Total Current Expenditures	<u>\$ 7,045,253</u>	<u>\$ 6,898,458</u>	<u>\$ 6,751,985</u>

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 Ms. Ana Martinez at Academica Dade, LLC 6340 Sunset Drive, Miami, Florida 33143.

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc.)

Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 474,983
Investments	2,808,000
Due from other agencies	81,999
Prepaid expenses	93,842
Total Current Assets	<u>3,458,824</u>
Capital assets, depreciable	2,067,886
Less: accumulated depreciation	<u>(1,390,233)</u>
	677,653
Due from Pinecrest Academy, Inc.	1,400,000
Deposits receivable	<u>3,064</u>
Total Assets	<u>5,539,541</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	329,277
Accounts payable	21,966
Total Liabilities	<u>351,243</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
Net Position:	
Net investment in capital assets	677,653
Unrestricted	<u>4,510,645</u>
Total Net Position	<u>\$ 5,188,298</u>

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

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc.)

Statement of Activities
For the year ended June 30, 2019

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 3,459,211	\$ 115,879	\$ 24,152	\$ -	\$ (3,319,180)
Student support services	24,517	-	-	-	(24,517)
Instructional staff training	2,871	-	-	-	(2,871)
Board	48,520	-	-	-	(48,520)
School administration	755,512	-	-	-	(755,512)
Facilities acquisition	669	-	-	-	(669)
Fiscal services	142,200	-	-	-	(142,200)
Food services	368,638	104,359	330,042	-	65,763
Central services	194,430	-	-	-	(194,430)
Operation of plant	1,680,990	38,826	21,257	560,461	(1,060,446)
Maintenance of plant	161,483	-	-	-	(161,483)
Administrative technology services	45,735	-	-	-	(45,735)
Community Services	69,384	-	-	-	(69,384)
Total governmental activities	6,954,160	259,064	375,451	560,461	(5,759,184)
General revenues:					
FTE and other nonspecific revenues					6,782,928
Interest and other revenues					129,229
Change in net position					1,152,973
Net position, beginning					4,035,325
Net position, ending					\$ 5,188,298

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

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc.)

Balance Sheet - Governmental Funds
June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund (Non-Major)	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 474,983	\$ -	\$ -	\$ 474,983
Investments	2,808,000	-	-	2,808,000
Due from other agencies	-	45,273	36,726	81,999
Due from fund	81,999	-	-	81,999
Prepaid expenses	93,842	-	-	93,842
Total Assets	<u>3,458,824</u>	<u>45,273</u>	<u>36,726</u>	<u>3,540,823</u>
Deferred Outflows of Resources				
	-	-	-	-
<u>Liabilities</u>				
Salaries and wages payable	329,277	-	-	329,277
Accounts payable	21,966	-	-	21,966
Due to fund	-	45,273	36,726	81,999
Total Liabilities	<u>351,243</u>	<u>45,273</u>	<u>36,726</u>	<u>433,242</u>
Deferred Inflows of Resources				
	-	-	-	-
<u>Fund balance</u>				
Nonspendable, not in spendable form	93,842	-	-	93,842
Unassigned	3,013,739	-	-	3,013,739
	<u>3,107,581</u>	<u>-</u>	<u>-</u>	<u>3,107,581</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 3,458,824</u>	<u>\$ 45,273</u>	<u>\$ 36,726</u>	<u>\$ 3,540,823</u>

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

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2019

Total Fund Balance - Governmental Funds \$ 3,107,581

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

Capital assets of \$2,067,887 net of accumulated depreciation of \$1,390,230 used in governmental activities are not financial resources and therefore are not reported in the fund. 677,653

Deposits receivable are considered long term and are not financial resources and therefore are not reported in the governmental funds. 3,064

Long term receivable in governmental activities are not financial resources and therefore are not reported in the governmental funds. 1,400,000

Total Net Position - Governmental Activities \$ 5,188,298

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

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund (Non-Major)	Total Governmental Funds
Revenues:				
State capital outlay funding	\$ -	\$ -	\$ 560,461	\$ 560,461
Local capital improvement revenue	-	-	-	-
State passed through local	6,782,928	-	-	6,782,928
Federal sources	-	375,451	-	375,451
Lunch program fees	-	104,359	-	104,359
Charges and other revenue	283,934	-	-	283,934
Total Revenues	<u>7,066,862</u>	<u>479,810</u>	<u>560,461</u>	<u>8,107,133</u>
Expenditures:				
Current				
Instruction	3,296,636	24,152	-	3,320,788
Student support services	24,517	-	-	24,517
Instructional staff training	2,871	-	-	2,871
Board	48,520	-	-	48,520
School administration	749,768	-	-	749,768
Food services	-	348,925	-	348,925
Fiscal services	142,200	-	-	142,200
Central services	194,430	-	-	194,430
Operation of plant	1,092,809	-	560,461	1,653,270
Maintenance of plant	151,577	-	-	151,577
Administrative technology services	45,735	-	-	45,735
Community Services	69,384	-	-	69,384
Capital Outlay:				
Other capital outlay	254,026	-	-	254,026
Total Expenditures	<u>6,072,473</u>	<u>373,077</u>	<u>560,461</u>	<u>7,006,011</u>
Excess (Deficit) of revenues over expenditures	994,389	106,733	-	1,101,122
Other financing sources (uses)				
Transfers in (out)	106,733	(106,733)	-	-
Net change in fund balance	<u>1,101,122</u>	<u>-</u>	<u>-</u>	<u>1,101,122</u>
Fund Balance at beginning of year	<u>2,006,459</u>	<u>-</u>	<u>-</u>	<u>2,006,459</u>
Fund Balance at end of year	<u>\$ 3,107,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,107,581</u>

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

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, 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, 2019

Net Change in Fund Balance - Governmental Funds \$ 1,101,122

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 of \$254,026 exceeded from depreciation expense of \$202,175

51,851

Change in Net Position of Governmental Activities \$ 1,152,973

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

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc.)

Statement of Net Position - Fiduciary Funds
June 30, 2019

	<u>Agency Funds</u>
<u>Assets</u>	
Cash	\$ 67,801
Total Assets	<u>67,801</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Due to students and clubs	67,801
Total Liabilities	<u>67,801</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net position</u>	<u>\$ -</u>

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

Note 1 – Summary of Significant Accounting Policies

Pinecrest Cove Academy (the "School"), is a charter school sponsored by the School Board of Miami-Dade County, Florida (the "District"). The Schools' charter is held by Pinecrest Academy, 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 board of directors of Pinecrest Academy, Inc., which is composed of five members and also governs other charter schools. The board of directors has determined that no component units exists that would require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Miami-Dade County, Florida. The current charter expires on June 30, 2030 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School is located in Miami, Florida for students from kindergarten through eighth grade and is funded by the District. These financial statements are for the year ended June 30, 2019, when on average 949 students were enrolled for the school year at two sites; approximately 146 students were enrolled in grades Kindergarten through first (site 1) and approximately 803 students were enrolled in grades two through eight (site 2).

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 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, such as food service and student activity 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. Other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

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

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 revenue, such as federal lunch program that are legally restricted to expenditures for particular purposes.

Additionally, the School reports separately the following fiduciary fund types:

Agency Fund – accounts for resources of the School's Internal Fund, which is used to administer monies collected at the schools in connection with school, student athletics, class, and club activities.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 if they are collected within 60 days of the end of the fiscal year. 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.

Agency fund assets and liabilities are accounted for on the accrual basis of accounting.

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.

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, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts.

The School has not adopted a formal deposit and investment policy that limits the School's allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School has adopted GASB Codification Section 3100 *Fair Value Measurement and Application* (see Note 2).

Inter-fund Transfers

The School operates one lunch site that is part of the charter holder's National School Lunch program. During the year, the combined operations of all sites operated at a deficit that was funded by the general fund. Accordingly, any deficit or excess in an individual charter school is transferred to the general fund. In addition, inter-fund transfers may also include reimbursements between funds for payments made by one fund on behalf of another fund. These transfers may result in short-term inter-fund receivables/payables ("due from/to").

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 generally capitalizes assets with cost of \$500 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 disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Building and Improvements	20 Years
Furniture and Equipment	5 Years
Textbooks, Audiovisual and Software	3 Years

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a “benefit year”). In the event that available time is not used by the end of the benefit year, employees may “rollover” all unused days for use in future benefit years. There is an opportunity to “cash out” unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year.

Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days in order to cash out. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefits years. The School also provides certain days to be used for specific personal matters 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.

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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 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.
- b) Restricted net position - consists of balances with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. There is no restricted balance in net position at year end.
- c) Unrestricted net position - all other balances that do 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 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).

Note 1 – Summary of Significant Accounting Policies (continued)

- b) Restricted – this classification includes fund balance category 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 that is 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. There are no assigned fund balances at year end.
- 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.

Order of Fund Balance Spending Policy

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

Income Taxes

Pinecrest Academy, 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.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 10, 2019, which is the date the financial statements were available to be issued.

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.

Note 2 – Cash, Cash Equivalents and Investments

Deposits

The School maintains its cash and cash equivalents in two financial institutions. As of June 30, 2019, the School's deposits consisted of cash balances of \$401,590.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Pinecrest Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Pinecrest Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2019, bank balances in potential excess of FDIC coverage was approximately \$522,846; including fiduciary account bank balances.

Investments

The School categorizes its fair value measurements with the fair value hierarchy established by GASB Codification Section 3100 *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs

At June 30, 2019, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$3,140,000 million valued using Level 2 inputs.

The government money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of July 31 2019, maturities of the fund's portfolio holdings are approximately 81% within 30 days.

Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The School manages its exposure to credit risk by limiting investments to highly rated government money market mutual funds. The fund is rated Aaa-mf by Moody's.

Note 2 – Cash, Cash Equivalents and Investments (Continued)

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2019, all of the School’s investments in government money market mutual funds were held in a separate account and designated as assets of the School.

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The School manages its exposure to declines in fair values by limiting all investments to government money market mutual funds that can be redeemed daily.

Note 3 – Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2019:

	Balance 07/01/18	Additions	Retirements/ Reclassifications	Balance 06/30/19
Capital Assets, depreciable:				
Buildings and improvements	\$ 133,007	\$ 47,447	\$ -	\$ 180,454
Audio visual and software	91,016	9,783	-	100,799
Furniture, equipment and textbooks	1,589,838	196,796	-	1,786,634
Total Capital Assets	<u>1,813,861</u>	<u>254,026</u>	<u>-</u>	<u>2,067,887</u>
Less Accumulated Depreciation:				
Buildings and improvements	(48,735)	(36,997)	-	(85,732)
Audio visual and software	(63,889)	(17,564)	-	(81,453)
Furniture, equipment and textbooks	(1,075,435)	(147,614)	-	(1,223,049)
Total Accumulated Depreciation	<u>(1,188,059)</u>	<u>(202,175)</u>	<u>-</u>	<u>(1,390,234)</u>
Capital Assets, net	<u>\$ 625,802</u>	<u>\$ 51,851</u>	<u>\$ -</u>	<u>\$ 677,653</u>

Note 3 – Capital Assets (Continued)

For the fiscal year ended June 30, 2019, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$	138,423
Facilities acquisition		669
School administration		5,744
Food		19,713
Maintenance		9,906
Operation of plant		27,720
Total Depreciation Expense	<u>\$</u>	<u>202,175</u>

Note 4 – Education Service and Support Provider

Academica Dade, LLC, an education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting and virtual education services. The agreement calls for a fee on a per student basis.

The agreement is with Pinecrest Academy, Inc. for a period of five years, through June 30, 2021, and unless terminated by the board shall be renewed along with any renewals to the charter agreement, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2019, the School incurred \$426,600, in fees. Academica Dade, LLC is located at 6340 Sunset Drive, Miami, Florida 33143.

Note 5 – Transactions with other divisions of Pinecrest Academy, Inc.

Pinecrest Academy, Inc. charges all its affiliated schools an assessment for shared corporate costs and accreditation expenses. Pinecrest Cove Academy paid Pinecrest Academy, Inc. approximately \$142,200 in connection with these charges during the year.

The following schedule provides a summary of changes in long-term advances to other divisions of Pinecrest Academy, Inc. for the year ended June 30, 2019:

	Balance 07/01/18	Additions	Deletions	Balance 06/30/19
Pinecrest Academy, Inc.	<u>\$ 1,400,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,400,000</u>
Total Long Term Receivables	<u>\$ 1,400,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,400,000</u>

Note 6 – Commitments, Contingencies and Concentrations

The School entered into a commercial lease agreement with River of Hope Presbyterian Church, Inc. for its 4101 facility. Fixed initial annual payments under this agreement are based on a fee of \$700 per student. Additional property costs will include repairs, maintenance and insurance. The agreement continues through July 15, 2015 with an additional term of three years followed by automatic renewal for additional terms of two years each unless and until terminated as provided by in the agreement

Future minimum payments for the 4101 facility are as follows:

<u>Year</u>	
2020	\$ 114,100

For 2019, rent expense totaled \$815,312 which related to the facility leases.

Pinecrest Academy, Inc. acquired the facility located at 4301 SW 107th Avenue, Miami, Florida (“Cove Facility”), for the purposes of continuing the operations of the School, pursuant to a lease purchase option, and simultaneously obtained long-term tax-exempt financing for the Cove Facility and the facility located at 14901 SW 42nd Street (Middle – High Facility), that is occupied by Pinecrest Preparatory Charter Middle School and Pinecrest Preparatory Charter High School (other schools under Pinecrest Academy, Inc.). Thereafter, the board of directors of PAI adopted Usage Fee resolutions whereby the schools housed in the Cove Facility and in the Middle-High Facility are responsible for all of the costs of acquisition and financing for the facilities, respectively, and all other costs and expenses of the operation, maintenance and preservation of the facilities, respectively, together with an administrative fee to the Company. Based upon the respective purchase prices for the Middle-High Facility and for the Cove Facility, the debt service on the bonds and other expenses and administrative fees were allocated 59% to the Middle High Facility and 41% to the Cove Facility.

Based on the usage fee agreement, commencing on August 1, 2014 the School will pay to Pinecrest Academy, Inc. the sum of \$699,562 per year, payable on a monthly basis and be responsible for the payment of all costs of improvement to the property from time to time, all costs of insurance and other property costs as determined necessary by the board of directors.

Note 6 – Commitments and Contingencies (Continued)

Future payments under the fee agreement are as follows:

Year		
2020	\$	1,006,688
2021	\$	1,006,688
2022	\$	1,006,688
2023	\$	1,006,688
2024	\$	1,006,688
2025-2029	\$	5,033,438 (total for five year period)
2030-2034	\$	5,033,438 (total for five year period)
2035-2039	\$	5,033,438 (total for five year period)
2040-2044	\$	5,033,438 (total for five year period)
2045	\$	1,006,688

The debt service on the tax-exempt bond financing for PAI (a portion of which will be covered by Usage Fee payments by Pinecrest Middle and Pinecrest High) are as follows:

Year	Principal	Interest	Total	
2020	\$ 415,000	\$ 1,192,300	\$ 1,607,300	
2021	\$ 435,000	\$ 1,173,125	\$ 1,608,125	
2022	\$ 460,000	\$ 1,150,750	\$ 1,610,750	
2023	\$ 480,000	\$ 1,127,250	\$ 1,607,250	
2024	\$ 505,000	\$ 1,102,625	\$ 1,607,625	
2025-2029	\$ 2,955,000	\$ 5,095,125	\$ 8,050,125	(total for five year period)
2030-2034	\$ 3,790,000	\$ 4,256,250	\$ 8,046,250	(total for five year period)
2035-2039	\$ 4,890,000	\$ 3,158,613	\$ 8,048,613	(total for five year period)
2040-2044	\$ 6,350,000	\$ 1,692,337	\$ 8,042,337	(total for five year period)
2045	\$ 3,140,000	\$ 82,425	\$ 3,222,425	

Contingencies and concentrations

The School receives substantially all of its funding from 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 participates in a number of federal, state and local grants which are subject to financial and compliance audits.

It is the opinion of management that the amount of revenue, 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 of 2% of the qualifying revenues of the School. For the year ended June 30, 2019, administrative fees withheld by the School District totaled \$35,468.

Note 7 Interfund Transfers

Interfund transfers in government funds as of June 30, 2019 consists of the followings

	General Fund	Special Revenue Fund
To transfer lunch surplus	\$ 85,476	\$ (85,476)
Reimbursement from Restart Grant for prior period expenditures	21,257	(21,257)
Total Transfers, net	<u>\$ 106,733</u>	<u>\$ (106,733)</u>

Due from/(Due to) fund balances are as follows:

	General Fund	Special Revenue
Due to General Fund from Capital Projects Fund for capital outlay	\$ 36,726	\$ (36,726)
Due to General Fund from Special Revenue Fund for Title IV	24,016	(24,016)
Due to General Fund from Restart Program Grant	21,257	(21,257)
Total Due from/(Due to)	<u>\$ 81,999</u>	<u>\$ (81,999)</u>

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 the past. In addition, there were no reduction in insurance coverage from those in the prior year.

The School has entered into a strategic relationship with ADP TotalSource, Inc., a human resource management firm, typically known as “Professional Employer Organization” (PEO). Under a co-employment agreements, the PEO is the employer of record and is responsible for administering payroll, payroll taxes, provide employee benefits and assist with human resources and risk management. Accordingly, certain human resource related risks are transferred to the PEO. Nevertheless, the School may be subject to risks, including loss, penalties and fines related to employment practices, administrative error and omissions.

The School’s debt agreements contain various covenants, restrictions and financial test requirements. In the event of default, the maturity can be accelerated and/or the underlying collateral may be subject to foreclosure.

Note 9 – Defined Contribution Retirement Plan

The School’s personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School provides a match of 100% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed to the Plan \$67,347 for the year ended June 30, 2019. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by Voya.

REQUIRED SUPPLEMENTARY INFORMATION

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2019

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 6,707,000	\$ 6,780,008	\$ 6,782,928
Charges and other revenue	407,800	285,400	283,934
Total Revenues	<u>7,114,800</u>	<u>7,065,408</u>	<u>7,066,862</u>
EXPENDITURES			
Current:			
Instruction	3,556,513	3,328,538	3,296,636
Student support services	47,218	25,823	24,517
Instructional staff training	45,000	5,050	2,871
Board	20,500	50,480	48,520
School administration	775,338	770,434	749,768
Fiscal services	142,500	142,200	142,200
Central services	142,500	195,200	194,430
Operation of plant	1,286,378	1,147,243	1,092,809
Maintenance of plant	105,000	161,000	151,577
Administrative technology services	72,625	47,750	45,735
Community services	80,263	70,000	69,384
Total Current Expenditures	<u>6,273,835</u>	<u>5,943,718</u>	<u>5,818,447</u>
Excess of Revenues Over Current Expenditures	<u>840,965</u>	<u>1,121,690</u>	<u>1,248,415</u>
Capital Outlay	<u>131,582</u>	<u>255,000</u>	<u>254,026</u>
Total Expenditures	<u>6,405,417</u>	<u>6,198,718</u>	<u>6,072,473</u>
Excess of Revenues Over Expenditures	709,383	866,690	994,389
Other financing sources (uses):			
Transfers in (out)	<u>153,582</u>	<u>87,540</u>	<u>106,733</u>
Net change in fund balance	862,965	954,230	1,101,122
Fund Balance at beginning of year	<u>2,006,459</u>	<u>2,006,459</u>	<u>2,006,459</u>
Fund Balance at end of year	<u>\$ 2,869,424</u>	<u>\$ 2,960,689</u>	<u>\$ 3,107,581</u>

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.

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2019

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	\$ 350,000	\$ 369,500	\$ 375,451
Lunch program	100,000	103,000	104,359
Total Revenues	<u>450,000</u>	<u>472,500</u>	<u>479,810</u>
EXPENDITURES			
Current:			
Instruction	25,500	24,500	24,152
Food services	270,918	360,460	348,925
Total Current Expenditures	<u>296,418</u>	<u>384,960</u>	<u>373,077</u>
Excess of Revenues Over Current Expenditures	<u>153,582</u>	<u>87,540</u>	<u>106,733</u>
Capital Outlay	-	-	-
Total Expenditures	<u>296,418</u>	<u>384,960</u>	<u>373,077</u>
Excess of Revenues Over Expenditures	153,582	87,540	106,733
Transfers in (out)	<u>(153,582)</u>	<u>(87,540)</u>	<u>(106,733)</u>
Net change in fund balance	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.



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

To the Board of Directors of
Pinecrest Cove Academy
Miami, 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, each major fund, and the aggregate remaining fund information of Pinecrest Cove Academy (the “School”) as of, and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements and have issued our report thereon dated September 10, 2019.

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 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*.

We noted certain matters that were repeated in a separate management letter dated September 10, 2019 pursuant to Chapter 10.850, Rules of the Auditor General.

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.

Handwritten signature in blue ink that reads "HLB Gravier, LLP".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 10, 2019



MANAGEMENT LETTER

To the Board of Directors of
Pinecrest Cove Academy
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of Pinecrest Cove Academy, Miami, Florida as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated September 10, 2019.

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 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 September 10, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no findings and recommendation 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 Pinecrest Cove Academy, 5049

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 Pinecrest Cove Academy 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 Pinecrest Cove Academy 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 Pinecrest Cove Academy. It is management's responsibility to monitor Pinecrest Cove Academy's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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 had the following recommendations:

ML – 19-01 CAPITAL ASSETS

- Criteria: The School is required to maintain an inventory of capital assets purchased with public funds in accordance with local, state or federal regulations.
- Condition: We noted that the School does not have a formal process for reconciling the capital assets inventory report to the capital assets of the Schools trial balance.
- Cause: The condition results from school personnel not consistently performing an inventory of all fixed assets and reconciling to the Schools trial balance.
- Effect: Failure to perform the procedures mentioned above could result in a misstated Annual Property Inventory.
- Recommendation: We recommend that the School perform an annual inventory of all capital assets and reconcile to the capital asset ledgers recorded on the School's books.
- Views of Responsible Officials: Management will adhere to auditor's recommendation. The ESSP is assisting the schools with identifying the proper support to ensure schools are in full compliance with inventory requirements.

ML – 19-02 AFTERCARE ACCOUNT

- Criteria: The School's financial statements should reflect all resources available to the School and all expenditure related to the School's activities.
- Condition: The School's charter holder operates an afterschool program on the premises of the School. The School receives a usage fee from the charter holder to cover facilities, personnel, administration and materials. We noted instances whereby certain expenditures pertaining to the School were paid from the afterschool bank account. However, these expenditures were not recorded on the accounts of the School.

Cause: The condition results because there is no established procedure for the School's administration to report School expenditures paid through the aftercare account to the accounting department in order to record an in-kind contribution.

Effect: Failure to record these activities results in financial statements that do not reflect all of the School's available resources and expenditures.

Recommendation: We recommend that a procedure be established to ensure School administration reports all School related expenditures paid out of the aftercare program to the accounting department for recording on the accounts of the School.

Views of Responsible Officials: See attached management response.

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 Pinecrest Cove Academy maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Pinecrest Cove Academy 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 Miami-Dade 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.



Coral Gables, Florida
September 10, 2019

CERTIFIED PUBLIC ACCOUNTANTS

PINECREST ACADEMY COVE

September 10, 2019

HLB Gravier, LLP
396 Alhambra Circle, 9th Floor
Coral Gables, FL 33134

RE: MANAGEMENT'S RESPONSE TO AUDITOR'S RECOMMENDATION

The following is the response by the School's Administrator to your recommendations:

ML – 19-01 AFTERCARE ACCOUNT

Recommendation

We recommend that a procedure be established to ensure School administration reports all expenditures paid out of the aftercare program to the accounting department for recording on the accounts of the School.

Management Response

Management will adhere to the auditor's recommendation. The School administration will set forth procedures to inform the accounting department of the Educational Service Provider of expenditures that benefit the school. These expenditures will be reported in the Operating account as revenue (in-Kind) and the expenditures will be recorded in the books of the school.

Sincerely,



Susie Dopico
Principal, Pinecrest Academy Cove