

**PALM BAY  
ACADEMY, INC.  
(A Component Unit of the  
School Board of Brevard  
County, Florida)**

**Basic Financial Statements and  
Supplemental Information**

**For the year ended  
June 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Palm Bay Academy, Inc.  
Palm Bay, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Bay Academy, Inc. (the "School") a component unit of the School Board of Brevard County, Florida (the "District"), as of and for the year ended June 30, 2020, 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. 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 the School, as of June 30, 2020 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***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2020, 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.

August 31, 2020  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## Management's Discussion and Analysis

As management of Palm Bay Academy, Inc. (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2020 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Since the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements found listed on the table of contents.

### Financial Highlights

- The liabilities of the School exceeded its assets and deferred outflows, a net deficit, at the close of the fiscal year by \$3,423,807.
- The School's total net position decreased by \$725,670.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$1,420,431.
- At the end of the current fiscal year, unassigned fund balance for the general fund was negative (\$390,994).

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains 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, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the School Board of Brevard County, Florida. The School Board of Brevard County, Florida includes the operations of the School in their operational results.

The government-wide financial statements can be found as listed on the table of contents of this report.

**Fund financial statements.** A fund is a collection of related accounts grouped together to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains five individual government funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The general fund and debt service fund are considered to be major funds.

The basic governmental fund financial statements can be found as listed on the table of contents of this report.

The School adopts an annual appropriated budget for its funds. A budgetary comparison schedule for required funds and a note to this schedule have been provided to demonstrate compliance with reported budgets and can be found as listed on the table of contents of this report.

**Notes to the financial statements.** The notes 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 as listed on the table of contents of this report.

## Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. As of June 30, 2020 and 2019, liabilities exceeded assets and deferred outflows by \$3,423,807 and \$2,698,137 (net deficits), respectively.

The largest portion of the School's net position reflects its net investment in capital assets (e.g., land, buildings and fixed equipment, improvements other than buildings, equipment, furniture and fixtures, educational materials, and motor vehicles), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2020, the net investment in capital assets totaled negative \$3,101,479. The negative amount is due to the capital assets depreciating more rapidly than the reduction in debt.

Comparison of the condensed statement of net position and the statement of activities are provided below:

	<b>Governmental Activities</b>		
	<b>2020</b>	<b>2019</b>	<b>Variance</b>
<b>ASSETS</b>			
Current and other assets	\$ 2,396,341	\$ 2,071,981	\$ 324,360
Capital assets, net of accumulated depreciation	<u>7,303,137</u>	<u>7,564,656</u>	<u>(261,519)</u>
Total assets	<u>9,699,478</u>	<u>9,636,637</u>	<u>62,841</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>2,462,625</u>	<u>2,611,125</u>	<u>(148,500)</u>
<b>LIABILITIES</b>			
Current and other liabilities	975,910	335,899	640,011
Long-term liabilities outstanding	<u>14,610,000</u>	<u>14,610,000</u>	<u>-</u>
Total liabilities	<u>15,585,910</u>	<u>14,945,899</u>	<u>640,011</u>
<b>NET POSITION</b>			
Net investment in capital assets	(3,101,479)	(4,434,219)	1,332,740
Restricted	1,803,233	2,020,585	(217,352)
Unrestricted	<u>(2,125,561)</u>	<u>(284,503)</u>	<u>(1,841,058)</u>
Total net position	<u>\$ (3,423,807)</u>	<u>\$ (2,698,137)</u>	<u>\$ (725,670)</u>

Current and other assets increased primarily because of timing of receipts and disbursements. Capital assets decreased primarily because of depreciation expense. Total liabilities increased primarily because of Paycheck Protection Program proceeds expected to be forgiven during fiscal year 2021.

	<b>Governmental Activities</b>		
	<b>2020</b>	<b>2019</b>	<b>Variance</b>
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 2,582	\$ 4,030	\$ (1,448)
Operating grants and contributions	696,216	652,736	43,480
General revenues			
State passed through school district	3,279,826	4,208,338	(928,512)
Other revenues	67,677	40,796	26,881
Total revenues	<u>4,046,301</u>	<u>4,905,900</u>	<u>(859,599)</u>
<b>Expenses:</b>			
Basic instruction	2,000,722	2,323,905	(323,183)
Exceptional instruction	110,824	134,840	(24,016)
Athletic program	192	18,214	(18,022)
Media services	9,481	17,727	(8,246)
Curriculum development	69	-	69
Instructional staff training	16,615	3,501	13,114
Board of directors	22,616	26,309	(3,693)
School administration	751,960	694,221	57,739
Facilities	261,917	277,050	(15,133)
Fiscal services	145,762	40,164	105,598
Food services	317,925	383,543	(65,618)
Information services	10,004	25,783	(15,779)
Internal services	996	1,185	(189)
Transportation	134,204	207,563	(73,359)
Operation of plant	223,802	373,347	(149,545)
Maintenance of plant	87,088	33,782	53,306
Interest and amortization expense	677,794	677,794	-
Total expenses	<u>4,771,971</u>	<u>5,238,928</u>	<u>(466,957)</u>
Change in net position	(725,670)	(333,028)	(392,642)
Net position - beginning	<u>(2,698,137)</u>	<u>(2,365,109)</u>	<u>(333,028)</u>
Net position - ending	<u>\$ (3,423,807)</u>	<u>\$ (2,698,137)</u>	<u>\$ (725,670)</u>

State revenues that were passed through the school district decreased primarily due to decline in student population. Basic instruction decreased because of reduction in payroll and related costs. Fiscal services increased because of protective services provided by the school. Operation of plant decreased because of reduction of utilities due to school closure during Covid-19 pandemic.



## Financial Analysis of the Government's Funds

As noted previously, 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, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$1,420,431.

The general fund is the main operating fund of the School. At the end of the current fiscal year, the unassigned fund balance of the general fund was negative \$390,994.

The fund balance of the School's general fund decreased by \$129,815 during the current fiscal year.

## Budgetary Highlights

Actual general fund revenues were less than the budgeted revenues by \$715,405 due primarily to a decline in student enrollment. Actual general fund expenditures were less than budgeted expenditures. Actual Title 1 fund revenues were less than the budgeted revenues by \$10,637 due primarily to receiving less in federal funding passed through the school district. Actual Title 1 fund expenditures were less than budgeted expenditures.

The budgetary information can be found as listed on the table of contents of this report.

## Capital Asset and Debt Administration

**Capital Assets.** The School's investment in capital assets for its governmental type activities as of June 30, 2020, amounts to \$7,303,137 (net of related depreciation). The school made a purchase of new computers in Jan 2020 for \$15,878. Additional information on the School's capital assets can be found in Note C.

**Debt Administration.** The School's long-term liabilities at June 30, 2020 totaled \$14,610,000. The School restructured its bonds in February 2017. The Series 2006 and Series 2007 Bonds were modified and reissued by the Florida Development Finance Corporation. Additional information on the School's long-term obligations can be found in Note D.

**Economic factors.** A majority of the School's funding is determined by the number of enrolled students. The greater Palm Bay, Florida area is seeing an increase in commercial and residential development. However, the COVID-19 pandemic has impacted the school's operations. The School operated as a C rated school during fiscal year 2020. The overall student population is forecasted to decrease from 411 in fiscal year 2020 to 350 in fiscal year 2021.

## Request for Information

This financial report is designed to provide a general overview of Palm Bay Academy, Inc.'s finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Palm Bay Academy, Inc., 2112 Palm Bay Road NE, Palm Bay, Florida 32905.

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**STATEMENT OF NET POSITION**

**June 30, 2020**

	Governmental Activities
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 457,235
Due from other agencies	178,596
Deposits	8,192
Restricted cash for lunch program	9,559
Restricted cash with fiscal agent	1,742,759
Total current and other assets	2,396,341
<b>CAPITAL ASSETS</b>	
Capital assets not being depreciated:	
Land	1,711,383
Capital assets, net	
Buildings and fixed equipment	5,501,579
Improvements other than buildings	10,646
Equipment	76,926
Furniture and fixtures	743
Motor vehicles	1,860
Total capital assets	7,303,137
Total assets	9,699,478
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	2,462,625
<b>LIABILITIES</b>	
Accounts payable	86,481
Paycheck protection program payable	495,325
Economic injury disaster loan payable	149,900
Accrued payroll	244,204
Long-term liabilities:	
Bonds payable	
Portion due in more than one year	14,610,000
Total liabilities	15,585,910
<b>NET POSITION</b>	
Net investment in capital assets	(3,101,479)
Restricted for:	
Debt service	1,742,759
Lunch program	9,559
Title	50,915
Unrestricted	(2,125,561)
Total net position	\$ (3,423,807)

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

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			<u>Net (Expense) Revenue and Changes in Net Position</u>
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 2,000,722	\$ -	\$ 461,971	\$ -	\$ (1,538,751)
Exceptional instruction	110,824	-	-	-	(110,824)
Athletic program	192	-	-	-	(192)
Media services	9,481	-	-	-	(9,481)
Curriculum development	69	-	-	-	(69)
Instructional staff training	16,615	-	-	-	(16,615)
Board of directors	22,616	-	-	-	(22,616)
School administration	751,960	-	-	-	(751,960)
Facilities	261,917	-	-	-	(261,917)
Fiscal services	145,762	-	-	-	(145,762)
Food services	317,925	2,582	234,245	-	(81,098)
Information services	10,004	-	-	-	(10,004)
Internal services	996	-	-	-	(996)
Transportation	134,204	-	-	-	(134,204)
Operation of plant	223,802	-	-	-	(223,802)
Maintenance of plant	87,088	-	-	-	(87,088)
Interest and amortization expense	677,794	-	-	-	(677,794)
Total governmental activities	<u>\$ 4,771,971</u>	<u>\$ 2,582</u>	<u>\$ 696,216</u>	<u>\$ -</u>	<u>(4,073,173)</u>
General revenues:					
State passed through school district					3,279,826
Other revenues					67,677
Total general revenues					<u>3,347,503</u>
Change in net position					(725,670)
Net position at the beginning of the year					<u>(2,698,137)</u>
Net position at the end of the year					<u>\$ (3,423,807)</u>

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

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2020**

	General Fund	Debt Service Fund	Title I Fund	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 457,235	\$ -	\$ -	\$ 9,559	\$ 466,794
Due from other funds	1,852,268	-	-	-	1,852,268
Due from other agencies	27,731	-	150,865	-	178,596
Deposits	8,192	-	-	-	8,192
Restricted cash with fiscal agent	-	1,742,759	-	-	1,742,759
	<b>\$ 2,345,426</b>	<b>\$ 1,742,759</b>	<b>\$ 150,865</b>	<b>\$ 9,559</b>	<b>\$ 4,248,609</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 86,481	\$ -	\$ -	\$ -	\$ 86,481
Paycheck protection program payable	495,325	-	-	-	495,325
Economic injury disaster loan payable	149,900	-	-	-	149,900
Accrued payroll	244,204	-	-	-	244,204
Due to other funds	-	1,742,759	99,950	9,559	1,852,268
	<b>975,910</b>	<b>1,742,759</b>	<b>99,950</b>	<b>9,559</b>	<b>2,828,178</b>
<b>FUND BALANCES</b>					
Nonspendable - Deposits	8,192	-	-	-	8,192
Restricted:					
Debt service	1,742,759	-	-	-	1,742,759
Lunch program	9,559	-	-	-	9,559
Title	-	-	50,915	-	50,915
Renewal and replacement	-	-	-	-	-
Unassigned	(390,994)	-	-	-	(390,994)
	<b>1,369,516</b>	<b>-</b>	<b>50,915</b>	<b>-</b>	<b>1,420,431</b>
Total fund balances	<b>1,369,516</b>	<b>-</b>	<b>50,915</b>	<b>-</b>	<b>1,420,431</b>
Total liabilities and fund balances	<b>\$ 2,345,426</b>	<b>\$ 1,742,759</b>	<b>\$ 150,865</b>	<b>\$ 9,559</b>	<b>\$ 4,248,609</b>

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

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION**

**June 30, 2020**

Fund balances - total governmental funds		\$ 1,420,431
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The net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Land	\$	1,711,383	
Buildings and fixed equipment, net		5,501,579	
Improvements other than buildings, net		10,646	
Equipment, net		76,926	
Furniture and fixtures, net		743	
Motor vehicles, net		1,860	
		7,303,137	
Total capital assets			7,303,137

Deferred outflows are not current assets or financial resources and are therefore not reported in the governmental funds.

Deferred charge on refunding		2,462,625
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Bonds payable		<u>(14,610,000)</u>
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Total net position of governmental activities		<u><u>\$ (3,423,807)</u></u>
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The accompanying notes are an integral part of this financial statement.

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS**

**For the year ended June 30, 2020**

	General Fund	Debt Service Fund	Title I Fund	Other Governmental Funds	Total
<b>Revenues</b>					
Federal passed through state	\$ -	\$ -	\$ -	\$ 234,245	\$ 234,245
Federal passed through school district	-	-	446,597	15,374	461,971
State passed through school district	3,018,145	261,681	-	-	3,279,826
Other revenues	67,677	-	-	2,582	70,259
Total revenues	<u>3,085,822</u>	<u>261,681</u>	<u>446,597</u>	<u>252,201</u>	<u>4,046,301</u>
<b>Expenditures</b>					
Current					
Basic instruction	1,681,921	-	318,801	-	2,000,722
Exceptional instruction	110,824	-	-	-	110,824
Athletic program	192	-	-	-	192
Media services	9,481	-	-	-	9,481
Curriculum development	69	-	-	-	69
Instructional staff training	1,673	-	-	14,942	16,615
Board of directors	22,616	-	-	-	22,616
School administration	650,231	-	70,875	15,374	736,480
Fiscal services	145,762	-	-	-	145,762
Food services	-	-	-	317,925	317,925
Information services	10,004	-	-	-	10,004
Internal services	996	-	-	-	996
Transportation	133,512	-	692	-	134,204
Operation of plant	223,802	-	-	-	223,802
Maintenance of plant	87,088	-	-	-	87,088
Capital outlay	764	-	15,114	-	15,878
Debt service					
Interest	-	529,294	-	-	529,294
Total expenditures	<u>3,078,935</u>	<u>529,294</u>	<u>405,482</u>	<u>348,241</u>	<u>4,361,952</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,887</u>	<u>(267,613)</u>	<u>41,115</u>	<u>(96,040)</u>	<u>(315,651)</u>
Other financing sources and (uses)					
Transfer in	-	267,613	-	96,040	363,653
Transfer out	(136,702)	-	-	(226,951)	(363,653)
Total other financing sources and (uses)	<u>(136,702)</u>	<u>267,613</u>	<u>-</u>	<u>(130,911)</u>	<u>-</u>
<b>Net change in fund balances</b>	<b>(129,815)</b>	<b>-</b>	<b>41,115</b>	<b>(226,951)</b>	<b>(315,651)</b>
<b>Fund balances at the beginning of the year</b>	<b>1,499,331</b>	<b>-</b>	<b>9,800</b>	<b>226,951</b>	<b>1,736,082</b>
<b>Fund balances at the end of the year</b>	<b>\$ 1,369,516</b>	<b>\$ -</b>	<b>\$ 50,915</b>	<b>\$ -</b>	<b>\$ 1,420,431</b>

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

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2020**

Net change in fund balances - total government funds	\$	(315,651)
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 and reported as depreciation expense.		
Capital outlay	\$	15,878
Depreciation expense		<u>(277,397)</u>
		(261,519)
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in the funds.		
Amortization of deferred charge on refunding		<u>(148,500)</u>
Change in net position of governmental activities	\$	<u><u>(725,670)</u></u>

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

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

Palm Bay Academy, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors, which is composed of five 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, which is the School Board of Brevard County, Florida (the "District"). The current charter was renewed on April 23, 2013 and will expire on June 30, 2027. Palm Bay Academy, Inc. is considered a component unit of the School Board of Brevard County, Florida.

2. Government-wide and fund financial statements

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

Net position, the difference between assets and liabilities, and deferred outflows and deferred inflows of resources, as presented in the statement of net position, are subdivided into three categories: net investment in capital assets, restricted net position, and unrestricted net position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation. Unrestricted net position includes all the remaining net position that does not meet the definition of the other two components.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function.

Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.



**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. The School reports the general fund, debt service fund, and Title I fund as major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

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

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

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

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

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

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

General Fund - is the general operating fund of the School and is used to account for all financial resources not required to be accounted for in another fund.

Debt Service Fund - this fund accounts for the resources accumulated and payments made for principal and interest on the bonds issued by the School.

Title I Fund - this fund accounts for the resources accumulated and payments made for the Title I fund a program to raise the achievement of the lowest-achieving students.

4. Cash and cash equivalents

The School's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

5. Receivables

The School's receivables consist of amounts that are due from other government agencies. Based on prior experience the School's management considers that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Interfund receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/due from other funds.

Transfers are used to move unrestricted fund revenues to finance programs and debt service activities that the School must account for in other funds.

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

7. Capital assets

Capital assets are reported in the governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$750 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and fixed equipment	5 - 40
Improvements other than buildings	10
Equipment	3 - 15
Furniture and fixtures	5 - 7
Educational materials	5 - 7
Motor vehicles	5

8. Deferred outflows of resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The School has one item that qualifies for reporting in this category which is the deferred charge on refunding. The deferred charge on refunding resulted from the difference in the carrying value of the refunded debt and its reacquisition price and it will be amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

9. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and the repayment of debt as debt service expenditures. Loan costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

10. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed 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(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

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

Additionally, other revenues are generally derived from various fundraising activities and other miscellaneous revenues.

11. Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all of its tax positions are more likely than not to be sustained upon examination.

The School files Form 990 in the U.S. federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service three years after a return was due or filed.

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

12. Use of estimates

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

13. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance - amounts that are not spendable (such as inventory and prepaid expense) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level of action to remove or change the constraint.

Assigned fund balance - amounts the School intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. No other fund except the General Fund can report positive amounts of unassigned fund balance.

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

14. Impact of recently issued accounting principles

In June 2017, the GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting. This statement is effective for the School's June 30, 2022 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the School's financial statements.

**NOTE B - CASH AND CASH EQUIVALENTS**

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The bank balances of the School's cash and restricted cash for lunch program deposits were \$583,317 at June 30, 2020. The deposits are insured by the FDIC up to \$250,000 per financial institution. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes. As of June 30, 2020, none of the School's funds held in banks were exposed to custodial credit risk.

*Credit Risk* - Credit risk arises from the potential default of investments that are not financially sound. In connection with the issuance of debt discussed in Note D, the School was required to deposit part of the proceeds and other required deposits with the trustee. At June 30, 2020, the trustee held \$1,742,759 of unspent bond proceeds and reserve funds in money market accounts. The deposits are restricted for debt payments. The trust indenture addresses credit risk by only permitting the trustee to invest in qualified investments as defined in the indenture.

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE C - CAPITAL ASSETS**

Changes in capital assets are as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Capital assets not depreciated:				
Land	\$ 1,711,383	\$ -	\$ -	\$ 1,711,383
Capital assets depreciated:				
Buildings and fixed equipment	8,739,837	-	-	8,739,837
Improvements other than buildings	110,108	-	-	110,108
Equipment	513,371	15,878	-	529,249
Furniture and fixtures	102,769	-	-	102,769
Educational materials	20,134	-	-	20,134
Motor vehicles	23,168	-	-	23,168
Total assets depreciated	<u>9,509,387</u>	<u>15,878</u>	<u>-</u>	<u>9,525,265</u>
Less accumulated depreciation:				
Buildings and fixed equipment	3,000,049	238,209	-	3,238,258
Improvements other than buildings	94,408	5,054	-	99,462
Equipment	420,238	32,085	-	452,323
Furniture and fixtures	101,218	808	-	102,026
Educational materials	20,134	-	-	20,134
Motor vehicles	20,067	1,241	-	21,308
Total accumulated depreciation	<u>3,656,114</u>	<u>277,397</u>	<u>-</u>	<u>3,933,511</u>
Total governmental activities capital assets, net	<u>\$ 7,564,656</u>	<u>\$ (261,519)</u>	<u>\$ -</u>	<u>\$ 7,303,137</u>

Depreciation expense for the year ended June 30, 2020 was charged to functions of the School as follows:

School administration	\$ 15,480
Facilities	<u>261,917</u>
	<u>\$ 277,397</u>

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE D - LONG-TERM LIABILITIES**

1. Changes in long-term liabilities

Changes in long-term liabilities are as follows:

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Due within one year
Series 2017A	\$ 7,265,000	\$ -	\$ -	\$ 7,265,000	\$ -
Series 2017B	735,000	-	-	735,000	-
Series 2017C	3,290,000	-	-	3,290,000	-
Series 2017D	350,000	-	-	350,000	-
Series 2017E	2,610,000	-	-	2,610,000	-
Series 2017F	360,000	-	-	360,000	-
<b>Total</b>	<b>\$ 14,610,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,610,000</b>	<b>\$ -</b>

2. Bonds payable

As a result of the School's inability to pay principal and interest as due on the previous bond issues, the School entered into a forbearance agreement ("the agreement") with the Trustee on May 15, 2014. The agreement was amended on June 15, 2015 and granted the School forbearance and relief through February 28, 2017.

On February 28, 2017, the previous bond issues were modified and reissued by Florida Development Finance Corporation into six subseries as presented in the table above.

In addition, the obligations of the School with respect to the bonds relating to the Secondary Subordinate Lien Bonds (Series 2017E and Series 2017F) will be deemed paid and discharged on July 15, 2022 as follows: two-thirds of a percentage of the bonds relating to the Secondary Subordinate Lien Bonds shall be deemed paid and discharged by the Trustee, which percentage shall equal the percentage on the principal amount of bonds relating to the Subordinate Lien Bonds (Series 2017C and Series 2017D) paid as of such date.

This agreement further requires the School to meet certain additional conditions. The School shall maintain cash on hand June 30 equal to at least 60 days as measured on June 30, 2020 and the last day of each fiscal quarter thereafter.

On a quarterly basis, the School shall report a Debt Service Coverage Ratio based on the immediate prior four fiscal quarters of no less than 1.00. The School did not meet the required 1.00 Debt Service Coverage Ratios as of June 30, 2020.



**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE D - LONG-TERM LIABILITIES (continued)**

2. Bonds payable (continued)

The following is a schedule of future minimum payments for the Tax-Exempt Senior Lien Revenue Bonds Series 2017A and the Taxable Senior Lien Revenue Bonds Series 2017B based on the new bond agreement for the years ending June 30,

	Principal	Interest	Total
2021	\$ -	\$ 529,294	\$ 529,294
2022	285,000	529,294	814,294
2023	310,000	503,644	813,644
2024	340,000	475,744	815,744
2025	365,000	450,394	815,394
2026-2030	2,210,000	1,870,744	4,080,744
2031-2035	3,005,000	1,071,000	4,076,000
2036-2037	1,485,000	143,438	1,628,438
	\$ 8,000,000	\$ 5,573,552	\$ 13,573,552

The following is a schedule of future minimum payments for the Tax-Exempt Subordinate Lien Revenue Bonds Series 2017C and the Taxable Subordinate Lien Revenue Bonds Series 2017D based on the bond agreement for the years ending June 30,

	Principal	Interest	Total
2021-2024	\$ -	\$ -	\$ -
2025-2037	3,640,000	3,752,445	7,392,445
	\$ 3,640,000	\$ 3,752,445	\$ 7,392,445

The following is a schedule of future minimum payments for the Tax-Exempt Secondary Subordinate Lien Revenue Bonds Series 2017E and the Taxable Secondary Subordinate Lien Revenue Bonds Series 2017F based on the bond agreement for the years ending June 30,

	Principal	Interest	Total
2021-2036	\$ -	\$ -	\$ -
2037	2,970,000	-	2,970,000
	\$ 2,970,000	\$ -	\$ 2,970,000

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE E - INTERFUND ACTIVITY**

Activities between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds.

Due to/from activities are as follows:

	Due from other funds	Due to other funds
General fund	\$ 1,852,268	\$ -
Debt service fund	-	1,742,759
Other governmental funds	-	9,559
Title I fund	-	99,950
	\$ 1,852,268	\$ 1,852,268

Transfers are used to 1) move unrestricted general fund revenues to finance programs that the School must account for in other funds, 2) move restricted amounts from borrowings to debt service funds to establish mandatory reserve accounts, 3) move unrestricted cash released by fiscal agents, and 4) move amounts from the general fund to the debt service fund as debt service principal and interest payments become due.

Transfer activities are as follows:

	Transfer In	Transfer Out
General fund	\$ -	\$ 136,702
Debt service fund	267,613	-
Other governmental funds	96,040	226,951
	\$ 363,653	\$ 363,653

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE F - COMMITMENTS AND CONTINGENCIES**

1. Operating facility lease agreement

The School entered into an operating facility lease agreement with a related private business entity for the use of classroom space. On July 28, 2010, the lease was amended to include an additional seven years which expired on July 31, 2015, with an option to renew for five twelve month periods, thereafter. The base rent was \$108,000, payable in equal monthly installments of \$9,000 plus applicable insurance and maintenance items estimated at \$880 per month. On July 1, 2013, the base rent was reduced by \$400 per month based on the forbearance agreement with bond holders dated May 15, 2013. On July 1, 2014, the base rent was reduced by an additional \$1,000 per month based on the forbearance agreement with bond holders dated May 15, 2014. Current year facilities expense charged to operations totaled \$59,354.

There will be no future payments as the agreement with the related private business was dissolved in February 2020. There were no further amounts due to the private business and the School's assets have been moved to their main campus.

2. Legal contingencies

The School may be involved in legal actions arising from the normal course of activities and is also subject to periodic audits and inquiries by various regulatory agencies. Management is not aware of any pending or threatened litigation, claims or unasserted claims or assessments that may have a material effect on the School's financial statements.

3. COVID 19

As a result of the spread of COVID-19, economic uncertainties have arisen which are affecting large segments of the economy, including non-profits. Management is not able to assess what the long-term effects of these uncertainties will be, but the School has taken steps to continuously monitor grant revenue, operations, liquidity, and employee welfare to adjust operations as necessary.

4. Line of Credit

The School had a line of credit of \$76,000 and paid off the total outstanding balance of \$67,967 that was used on this line of credit during the 2020 fiscal year. The outstanding balance of \$67,967 was included in accounts payable as of June 30, 2020.

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE F - COMMITMENTS AND CONTINGENCIES (continued)**

5. Paycheck Protection Program and Economic Injury Disaster Loan

On May 4, 2020, the School received loan proceeds in the amount of approximately \$495,325 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The School intends to use the proceeds for purposes consistent with the PPP. The School currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

During the year ending June 30, 2020, the School obtained an Economic Injury Disaster Loan for \$150,000 from the Small Business Administrations (SBA) for working capital to alleviate economic injury caused by COVID-19. The loan bears interest at 2.78%, is payable in monthly installments of \$641 that will begin twelve months from the date of the promissory note, dated June 23, 2020, and matures in June 2050. The SBA loan is secured by all the tangible and intangible property of the School. As of June 30, 2020, the remaining balance of the EIDL loan was \$149,900.

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE G - CONCENTRATIONS**

Revenue sources

As stated in Note A-10, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources:

Sources	Amounts
School Board of Brevard County, Florida	
Base funding	\$ 1,872,627
Class size reduction	490,252
Discretionary millage	179,278
Supplemental academic instruction funds	113,952
ESE guaranteed allocation	98,095
Discretionary compression	44,353
Instructional materials allocation	29,159
Safe schools	25,339
Transportation	80,278
Florida teachers lead	7,654
Mental health allocation	10,519
Library media allocation	1,866
Best & brightest	40,078
Discretionary lottery	406
Digital classroom	1,694
Funding compression allocation	10,840
Proration	(5,800)
Capital outlay	261,681
Reading coaches	17,555
Total State passed through School Board of Brevard County, Florida	3,279,826
Title 1 funding	446,597
Title 2 funding	15,374
Total School Board of Brevard County, Florida	3,741,797
National school lunch program	234,245
Student lunches	2,582
Other revenues	67,677
Total revenues	\$ 4,046,301

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**NOTE H - RELATED PARTY TRANSACTION**

The School entered into a lease with a related private business entity for the use of classroom space. The private entity is related through ownership of the School's Principal. No amounts were due to this related party at June 30, 2020. This agreement was dissolved in February 2020. See further discussion at Note F.

**NOTE I - RISK MANAGEMENT**

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. Under the property insurance policy, the School's liability is \$2,500 per deductible. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years. There have been no significant reductions in insurance coverage during fiscal year 2020.

**NOTE J - SUBSEQUENT EVENTS**

The School has evaluated subsequent events through August 31, 2020, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND**

**For the year ended June 30, 2020**

	Final	Actual	Variance with Budget
Revenues			
State passed through school district	\$ 3,731,636	\$ 3,018,145	\$ (713,491)
Other revenues	69,591	67,677	(1,914)
Total revenues	<u>3,801,227</u>	<u>3,085,822</u>	<u>(715,405)</u>
Expenditures			
Current			
Basic instruction	2,025,030	1,681,921	343,109
Exceptional instruction	135,210	110,824	24,386
Athletic program	18,345	192	18,153
Media services	17,700	9,481	8,219
Curriculum development	-	69	(69)
Instructional staff training	1,812	1,673	139
Board of directors	26,500	22,616	3,884
School administration	648,651	650,231	(1,580)
Fiscal services	43,150	145,762	(102,612)
Information services	26,000	10,004	15,996
Internal services	1,185	996	189
Transportation	210,000	133,512	76,488
Operation of plant	275,000	223,802	51,198
Maintenance of plant	136,100	87,088	49,012
Capital outlay	-	764	(764)
Total expenditures	<u>3,564,683</u>	<u>3,078,935</u>	<u>485,748</u>
Excess (deficiency) of revenues over (under) expenditures	<u>236,544</u>	<u>6,887</u>	<u>(229,657)</u>
Other financing uses			
Transfer in	-	-	-
Transfer out	(529,294)	(136,702)	392,592
Total other financing uses	<u>(529,294)</u>	<u>(136,702)</u>	<u>392,592</u>
Net change in fund balances	(292,750)	(129,815)	162,935
Fund balances at the beginning of the year	<u>1,499,331</u>	<u>1,499,331</u>	<u>-</u>
Fund balances at the end of the year	<u>\$ 1,206,581</u>	<u>\$ 1,369,516</u>	<u>\$ 162,935</u>

See accompanying note to required supplementary information.



**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - Title I Fund**

**For the year ended June 30, 2020**

	Final	Actual	Variance with Budget
Revenues			
Federal passed through school district	\$ 435,960	\$ 446,597	\$ 10,637
Total revenues	<u>435,960</u>	<u>446,597</u>	<u>10,637</u>
Expenditures			
Current			
Basic instruction	375,338	318,801	56,537
Instructional staff training	53,672	-	53,672
School administration	7,900	70,875	(62,975)
Transportation	-	692	(692)
Capital outlay	-	15,114	(15,114)
Total expenditures	<u>436,910</u>	<u>405,482</u>	<u>31,428</u>
Net change in fund balances	(950)	41,115	42,065
Fund balances at the beginning of the year	<u>9,800</u>	<u>9,800</u>	<u>-</u>
Fund balances at the end of the year	<u>\$ 8,850</u>	<u>\$ 50,915</u>	<u>\$ 42,065</u>

See accompanying note to required supplementary information.

**Palm Bay Academy, Inc.**  
**(A Component Unit of the School Board of Brevard County, Florida)**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2020**

**NOTE A - BUDGETARY INFORMATION**

Budgetary basis of accounting

The School's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general fund and major special revenue fund and may be amended by the Board of Directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2020, have been amended according to Board procedures.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

**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  
Palm Bay Academy, Inc.  
Palm Bay, 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 Palm Bay Academy, Inc. (the "School") a component unit of the School Board of Brevard County, Florida, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 31, 2020.

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

August 31, 2020  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## MANAGEMENT LETTER

To the Board of Directors  
Palm Bay Academy, Inc.  
Palm Bay, Florida

### Report on the Financial Statements

We have audited the financial statements of Palm Bay Academy, Inc. (the "School"), a component unit of the School Board of Brevard County, Florida, as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated August 31, 2020.

### Auditor's Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated August 31, 2020, should be considered in conjunction with this management letter.

### Prior Audit Findings and Recommendations

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 in the preceding annual financial audit report.

### Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Palm Bay Academy, Inc. and 056501.

## **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. 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 did not have any such recommendations.

## **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the 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 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 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 is not intended to be and should not be used by anyone other than these specified parties.

August 31, 2020  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*