

**PINEAPPLE COVE
CLASSICAL ACADEMY, INC.**

A Charter School and Component Unit of the
District School Board of Brevard County, Florida

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2020

King & Walker, CPAs, PL

Certified Public Accountants

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PINEAPPLE COVE CLASSICAL ACADEMY, INC.

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Independent Auditor's Report

To the Board of Directors Pineapple Cove Classical Academy, Inc., a Charter School
and Component Unit of the District School Board of Brevard County, 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 Pineapple Cove Classical Academy, Inc. ("School"), a charter school and component unit of the District 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 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 *Governmental 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 School'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 School'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 opinion.

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 Pineapple Cove Classical Academy, Inc., as of June 30, 2020, and the respective changes in financial position thereof for the year 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 the Management's Discussion and Analysis, the Budgetary Comparison Schedule, and Note to Required Supplementary Information, as shown 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 historic 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 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 28, 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 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 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 School's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

August 28, 2020
Tampa, Florida

PINEAPPLE COVE CLASSICAL ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Pineapple Cove Classical Academy, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2020.

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

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2020, the School's expenses exceeded revenues as shown on the School's statement of activities by \$1,199,630.
- As shown on the statement of net position, the School reported a total deficit net position balance of \$2,761,862.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net position and the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

PINEAPPLE COVE CLASSICAL ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates four funds, a General Fund, a Special Revenue Fund, a Debt Service Fund, and a Capital Projects Fund. The General Fund, Debt Service Fund, and Capital Projects Fund are considered to be a major funds. Data from the other governmental funds are combined into a single aggregate presentation.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund to demonstrate compliance with the budget.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

PINEAPPLE COVE CLASSICAL ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Net Position, End of Year		
	Governmental Activities		Increase (Decrease)
	6-30-19	6-30-20	
ASSETS			
Current and Other Assets	\$ 11,410,287	\$ 4,303,371	\$ (7,106,916)
Capital Assets, net	22,480,241	26,512,953	4,032,712
Total Assets	33,890,528	30,816,324	(3,074,204)
LIABILITIES			
Current Liabilities	3,890,349	1,999,401	(1,890,948)
Long-term Liabilities	31,562,411	31,578,785	16,374
Total Liabilities	35,452,760	33,578,186	(1,874,574)
NET POSITION			
Net Investment in Capital Assets	(4,169,319)	(5,065,429)	(896,110)
Restricted for Debt Service	2,403,210	2,346,984	(56,226)
Unrestricted	203,877	(43,417)	(247,294)
Total Net Position	\$ (1,562,232)	\$ (2,761,862)	\$ (1,199,630)

The current assets of the School primarily consist of cash and cash equivalents (97%) including short-term investments for the School's bonded debt and capital asset construction. Capital assets consist of land, buildings and fixed equipment, and furniture, fixtures, and equipment. Current liabilities consist of accrued expenses. Long-Term liabilities consist of outstanding bonded debt.

The fiscal year ended June 30, 2020, the School reported a \$43,417 unrestricted net position deficit balance.

PINEAPPLE COVE CLASSICAL ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

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

	Operating Results for the Year		
	Governmental Activities		
	6-30-19	6-30-20	Increase (Decrease)
Revenues:			
Federal Through State	\$ 102,264	\$ 95,661	\$ (6,603)
State Sources	4,530,559	6,363,688	1,833,129
Local and Other	605,069	551,329	(53,740)
Total Revenues	5,237,892	7,010,678	1,772,786
Expenses:			
Instruction	2,390,147	3,495,203	1,105,056
Student Support Services	148,775	212,820	64,045
Instructional Staff Training	19,204	6,846	(12,358)
Instructional-Related Technology	2,164	36,418	34,254
Board	-	405,577	405,577
School Administration	814,933	798,715	(16,218)
Facilities Acq. & Construction	638,608	-	(638,608)
Fiscal Services	31,394	-	(31,394)
Food Services	187,073	267,344	80,271
Operation of Plant	346,250	460,636	114,386
Maintenance of Plant	43,425	31,365	(12,060)
Community Service	251,412	442,241	190,829
Debt Service-Interest & Fiscal Charges	1,944,644	1,692,755	(251,889)
Amortization of Bond Discount	-	16,374	16,374
Unallocated Depreciation	296,645	344,014	47,369
Total Expenses	7,114,674	8,210,308	1,095,634
Increase/(Decrease) in Net Position	\$ (1,876,782)	\$ (1,199,630)	\$ 677,152

The largest revenue source for the School is the State of Florida (91%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. FEFP utilizes student enrollment data to determine the funds available for the School. Federal through State revenue was received from the IDEA and National School Lunch Programs Grants.

The largest concentration of expenses was in Instruction related functions (43%) and Debt Service – Interest & Fiscal Charges (21%).

PINEAPPLE COVE CLASSICAL ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a total fund balance of \$2,303,970.

DEBT

On February 13, 2019, the School issued revenue bonds in the amount of \$32,070,000 to fund the acquisition and renovation of educational facilities. The bonds will be repaid incrementally over the next 31 years. In addition, 2019-20 fiscal year the School received a Paycheck Protection Loan under the CARES Act amounting to \$803,930 to be used for payroll costs and health care benefits. This loan is expected to be forgiven or repaid during the 2020-21 fiscal year. Additional information regarding the School's long-term liabilities can be found in the notes to the financial statements.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$26,512,953 (net of accumulated depreciation). This investment in capital assets includes, land, construction in progress, buildings and fixed equipment, and furniture, fixtures, and equipment. Additional information regarding the School's capital assets can be found in the notes to the financial statements.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2020, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget several times. For the fiscal year ended June 30, 2020, the actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule for additional information.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Pineapple Cove Classical Academy, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Pineapple Cove Classical Academy, Inc., 1785 Eldron Blvd. S. E., Palm Bay, Florida 32909.

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA

STATEMENT OF NET POSITION

June 30, 2020

ASSETS	<u>Governmental Activities</u>
Current Assets:	
Cash & Cash Equivalents	\$ 4,174,222
Due from Other Agencies	46,303
Accounts Receivable	11,994
Prepaid Expenses	70,852
Capital Assets:	
Land	1,133,161
Building and Fixed Equipment, Net	24,873,718
Furniture, Fixtures, and Equipment, Net	506,074
Total Capital Assets, Net	<u>26,512,953</u>
TOTAL ASSETS	<u><u>30,816,324</u></u>
 LIABILITIES	
Accounts Payable	16,516
Salaries and Benefits Payable	340,506
Loan Payable	803,930
Accrued Interest on Bonds	838,449
Long Term Liabilities:	
Due after one year - Bonds Payable	<u>31,578,785</u>
TOTAL LIABILITIES	<u><u>33,578,186</u></u>
 NET POSITION	
Net Investment in Capital Assets	(5,065,429)
Restricted for Debt Service	2,346,984
Unrestricted	<u>(43,417)</u>
TOTAL NET POSITION	<u><u>\$ (2,761,862)</u></u>

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

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

		Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Net (Expenses) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:						
Instruction	\$ 3,495,203	\$ -	\$ 13,738	\$ -		\$ (3,481,465)
Student Support Services	212,820					(212,820)
Instructional Staff Training	6,846					(6,846)
Instructional-Related Technology	36,418					(36,418)
Board of Education	405,577					(405,577)
School Administration	798,715					(798,715)
Food Services	267,344	100,644	81,923			(84,777)
Operation of Plant	460,636					(460,636)
Maintenance of Plant	31,365					(31,365)
Community Service	442,241	146,392				(295,849)
Debt Service - Interest & Fiscal Charges	1,692,755			430,896		(1,261,859)
Amortization of Bond Discount	16,374					(16,374)
Unallocated Depreciation	344,014					(344,014)
Total Governmental Activities	\$ 8,210,308	\$ 247,036	\$ 95,661	\$ 430,896		(7,436,715)
		General Revenues:				
						5,932,792
						304,293
						6,237,085
						(1,199,630)
						(1,562,232)
						\$ (2,761,862)

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

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Activities
ASSETS					
Cash & Cash Equivalents	\$ 988,386	\$ 3,185,433	\$ 403	\$ -	\$ 4,174,222
Due from Other Agencies	-		46,303		46,303
Accounts Receivable	11,994				11,994
Due from Other Funds	46,303				46,303
Prepaid Expenses	70,852				70,852
Total Assets	<u>\$ 1,117,535</u>	<u>\$ 3,185,433</u>	<u>\$ 46,706</u>	<u>\$ -</u>	<u>\$ 4,349,674</u>
LIABILITIES					
Accounts Payable	\$ 16,516	\$ -	\$ -	\$ -	\$ 16,516
Salaries and Benefits Payable	340,506				340,506
Loan Payable	803,930				803,930
Accrued Interest Payable		838,449			838,449
Due to Other Funds			46,303		46,303
Total Liabilities	<u>1,160,952</u>	<u>838,449</u>	<u>46,303</u>	<u>-</u>	<u>2,045,704</u>
FUND BALANCES					
Nonspendable	70,852				70,852
Restricted		2,346,984	403		2,347,387
Unassigned	(114,269)				(114,269)
Total Fund Balances	<u>(43,417)</u>	<u>2,346,984</u>	<u>403</u>	<u>-</u>	<u>2,303,970</u>
Total Liabilities and Fund Balances	<u>\$ 1,117,535</u>	<u>\$ 3,185,433</u>	<u>\$ 46,706</u>	<u>\$ -</u>	<u>\$ 4,349,674</u>

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

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA

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

June 30, 2020

Total Fund Balances - Governmental Funds	\$	2,303,970
Amounts reported for governmental activities in the statement of net position are different because:		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bond Payable, net of discount	(31,578,785)	(31,578,785)
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		
		<u>26,512,953</u>
Total Net Position - Governmental Activities	\$	<u><u>(2,761,862)</u></u>

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

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Revenues					
Intergovernmental:					
Federal Through State and Local	\$ -	\$ -	\$ -	\$ 95,661	\$ 95,661
State Sources	5,932,792		430,896		6,363,688
Local and Other	398,160	27,398	25,127	100,644	551,329
Total Revenues	<u>6,330,952</u>	<u>27,398</u>	<u>456,023</u>	<u>196,305</u>	<u>7,010,678</u>
Expenditures					
Current - Education:					
Instruction	3,481,465			13,738	3,495,203
Student Support Services	212,820				212,820
Instructional Staff Training	6,846				6,846
Instructional-Related Technology	36,418				36,418
Board of Education	405,577				405,577
School Administration	798,715				798,715
Food Services				267,344	267,344
Operation of Plant	460,636				460,636
Maintenance of Plant	31,365				31,365
Community Service	442,241				442,241
Fixed Capital Outlay:					
Facilities Acquisition & Construction			4,135,567		4,135,567
Other Capital Outlay			241,159		241,159
Debt Service:					
Interest & Fiscal Charges		1,692,755			1,692,755
Total Expenditures	<u>5,876,083</u>	<u>1,692,755</u>	<u>4,376,726</u>	<u>281,082</u>	<u>12,226,646</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>454,869</u>	<u>(1,665,357)</u>	<u>(3,920,703)</u>	<u>(84,777)</u>	<u>(5,215,968)</u>
Other Financing Sources (Uses):					
Proceeds from Long-Term Debt					-
Transfers In		1,609,131		84,777	1,693,908
Transfers (Out)	(702,163)		(991,745)		(1,693,908)
Total Other Financing Sources (Uses)	<u>(702,163)</u>	<u>1,609,131</u>	<u>(991,745)</u>	<u>84,777</u>	<u>-</u>
Net Change in Fund Balances	<u>(247,294)</u>	<u>(56,226)</u>	<u>(4,912,448)</u>	<u>-</u>	<u>(5,215,968)</u>
Fund Balances, July 1, 2019	203,877	3,040,966	4,912,851	-	8,157,694
Adjustment to Beginning Fund Balance		(637,756)			(637,756)
Restated Fund Balances, July 1, 2019	<u>203,877</u>	<u>2,403,210</u>	<u>4,912,851</u>	<u>-</u>	<u>7,519,938</u>
Fund Balances, June 30, 2020	<u>\$ (43,417)</u>	<u>\$ 2,346,984</u>	<u>\$ 403</u>	<u>\$ -</u>	<u>\$ 2,303,970</u>

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

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

Net Change in Fund Balances - Governmental Funds	\$ (5,215,968)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds 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 of capital outlay (\$4,376,726) in excess of depreciation expense (\$296,645) in the current period.

4,032,712

Expenses in the statement of activities that do not require the use of current current financial resources are not reported in the governmental funds:

Amortization of bond discount

(16,374)

Change in Net Position - Governmental Activities	<u><u>\$ (1,199,630)</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
A Charter School and Component Unit of the District School Board of Brevard County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

Pineapple Cove Classical Academy, Inc., (“School”) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Brevard County, Florida, (“District”). The current charter is effective until June 30, 2023 and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

➤ **Basis of Presentation**

Government-wide Financial Statements: Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

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

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
A Charter School and Component Unit of the District School Board of Brevard County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Debt Service Fund – to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.
- Capital Projects Fund – to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

All other governmental funds are non-major and are presented in the aggregate.

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
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is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term liquid investments with original maturities of three months or less at the date of acquisition.

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

➤ **Investments**

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

The School's investments are set aside to make debt service payments, maintain sinking or reserve funds, and to purchase or construct capital assets and are classified as restricted. These investments are reported as restricted in the Debt Service and Capital Projects Funds in the Balance Sheet – Governmental Funds.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Fixed Equipment	10 - 20 years
Furniture, Fixtures and Equipment	5 years

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➤ **Noncurrent Liabilities**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Capital improvement debt is reported net of unamortized discount. The School amortizes debt discounts over the life of the debt using the straight-line method. Current-year information relative to changes in long-term debt is described in subsequent notes.

➤ **Deferred Outflows/Inflows of Resources**

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

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

➤ **Net Position and Fund Balance Classification**

Government-wide Financial Statements

Net Position are classified and reported in three components:

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

Fund Financial Statements

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

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale

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(unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.

- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

➤ **Order of Fund Balance Spending Policy**

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

➤ **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(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (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 (FTE) reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School’s compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplies by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2020, the School reported 851.95 unweighted and 888.24 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

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

➤ **Income Taxes**

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

➤ **Use of Estimates**

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

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
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➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management is currently evaluating the impact of the COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization’s financial position, results of its operations and/or cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. ADJUSTMENT TO BEGINNING FUND BALANCE

An adjustment to the beginning fund balance for the Governmental Funds – Debt Service Fund was made to reflect interest expense not recorded previously. The beginning debt service fund balance of \$3,040,966, as previously reported, has been decreased by \$637,756, to a restated beginning debt service fund balance of \$2,403,210 on the statement of statement of revenues, expenditures, and changes in fund balance.

3. CASH DEPOSITS

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School’s deposits may not be returned to the School. The School does not have a custodial credit risk policy. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000.

4. INVESTMENTS

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

All of the School’s recurring fair value measurements as of June 30, 2020 are valued using quoted market prices (Level 1 inputs).

The School’s investments at June 30, 2020, are reported as follows:

Investment	Amount
Wilmington US Government Money Market Fund	\$ 3,185,836
Total	\$ 3,185,836

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

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
A Charter School and Component Unit of the District School Board of Brevard County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

5. ACCOUNTS RECEIVABLE – RELATED PARTY

The School reported accounts receivable of \$2,842 as a result of money advanced for start-up funding to Pineapple Cove Classical at West Melbourne, a related charter school operated by the School’s charter-holder, in its statement of net position and balance sheet – governmental funds. The School expects to receive full payment within one year from the financial statement date and no allowance for uncollectible accounts has been established.

6. DUE FROM OTHER AGENCIES

The amount due from other agencies on the School’s statement of net position and balance sheet – governmental funds consists of funds due from the District School Board of Brevard County for Charter School Capital Outlay funds. This receivable is considered fully collectible and therefore, no allowance for uncollectible accounts has been established.

7. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,133,161		\$ -	\$ 1,133,161
Construction in Process	8,916,217		(8,916,217)	-
Total Capital Assets Not Being Depreciated	<u>10,049,378</u>	<u>-</u>	<u>(8,916,217)</u>	<u>1,133,161</u>
Capital Assets Being Depreciated:				
Buildings	12,606,259	12,791,573		25,397,832
Furniture, Fixtures and Equipment	152,589	501,370		653,959
Total Capital Assets Being Depreciated	<u>12,758,848</u>	<u>13,292,943</u>	<u>-</u>	<u>26,051,791</u>
Less Accumulated Depreciation for:				
Buildings	(284,655)	(239,459)		(524,114)
Furniture, Fixtures and Equipment	(43,330)	(104,555)		(147,885)
Total Accumulated Depreciation	<u>(327,985)</u>	<u>(344,014)</u>	<u>-</u>	<u>(671,999)</u>
Total Capital Assets Being Depreciated, Net	<u>12,430,863</u>	<u>12,948,929</u>	<u>-</u>	<u>25,379,792</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,480,241</u>	<u>\$ 12,948,929</u>	<u>\$ (8,916,217)</u>	<u>\$ 26,512,953</u>

All depreciation expense was shown as unallocated on the Statement of Activities.

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2020, the School’s General Fund was due \$46,303 from the Capital Projects Fund for amounts due from the School District of Brevard County for Charter School Capital Outlay funds. The General Fund transferred \$84,777 to the Special Revenue Fund to provide financial support for the School’s food service operations, and \$617,386 to the

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
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Debt Service Fund for monthly debt service reserves associated with the School’s bonded debt. The Capital Projects Fund transferred \$991,745 to the Debt Service Fund for monthly debt service reserves associated with the School’s bonded. The amounts of interfund receivables, payables and transfers are netted together and not reported in the statement of net position the statement of activities.

9. LOAN PAYABLE

The School was granted a loan from TD Bank, N.A. in May 2020 in the amount of \$803,930, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated May 4, 2020, matures on May 4, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on December 4, 2020. The Note may be prepaid by the School at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The School intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

10. BONDS PAYABLE

Bonds payable at June 30, 2020, are as follows:

Bond Type	Amount Outstanding	Interest Rates	Annual Maturity To
Revenue Bonds:			
Series 2019A	\$ 31,510,000	4.5-5.5 percent	2054
Series 2019B	560,000	6 percent	2022
<i>less:</i> Unamortized Bond Discount	(491,215)		
Total Bonds Payable	<u>\$ 31,578,785</u>		

Revenue Bonds Series 2020A and 2020B – On February 13, 2020, the School issued tax-exempt revenue bonds (Series 2020A) for \$31,510,000 and taxable revenue bonds (Series 2020B) for \$560,000 secured by a mortgage on the School’s property and buildings. The bonds were issued to finance the acquisition of land with an existing building and to finance the construction, improvement, installation, and equipping purchase of the new educational facility.

Series 2020A bonds are term bonds paying interest semi-annually at rates ranging from 4.5% to 5.375% with maturities starting July 1, 2023 and ending July 1, 2051. Series 2020B bonds are term bonds paying interest semi-annually at a rate of 6% and principal payments semi-annually with maturities starting July 1, 2021, and ending July 1, 2022.

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As required by the bond resolution, the District has established a sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The School is required to disclose its debt service coverage ratio and days cash on hand as described in the Loan Agreement. The minimum debt service coverage ratio is 1.1 to 1 (the “Debt Service Coverage Requirement”) as of June 30, 2020. The calculated Debt Service Coverage requirement was 1.17 to 1 as of June 30, 2020. Further, the School agrees to have cash on hand at June 30, 2020 and each June 30 until the bonds are no longer outstanding in an amount not less than 30 days cash on hand at June 30, 2020, not less than 30 days at June 30, 2021, and not less than 45 days at June 30, 2022 and thereafter. The calculated days cash on hand was 71.27 days as of June 30, 2020.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2020, are as follows:

Fiscal Year Ending June 30:	Total	Principal	Interest
2021	\$ 1,663,713	\$ -	\$ 1,663,713
2022	1,925,613	270,000	1,655,613
2023	1,928,813	290,000	1,638,813
2024	2,055,325	435,000	1,620,325
2025	2,065,075	465,000	1,600,075
2026-2030	10,315,175	2,655,000	7,660,175
2031-2035	10,022,203	3,045,000	6,977,203
2036-2040	10,039,684	3,955,000	6,084,684
2041-2045	10,115,031	5,215,000	4,900,031
2046-2050	10,079,600	6,740,000	3,339,600
2051-2054	10,428,138	9,000,000	1,428,138
<i>less: Unamortized Bond Discount</i>	<u>(491,215)</u>	<u>(491,215)</u>	<u>-</u>
Total	<u><u>\$ 70,147,155</u></u>	<u><u>\$ 31,578,785</u></u>	<u><u>\$ 38,568,370</u></u>

11. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
Governmental Activities:					
Bonds Payable	\$ 32,070,000	\$ -	\$ -	\$ 32,070,000	\$ -
Unamortized Discount	(507,589)		16,374	(491,215)	
Total Bonds Payable	<u>31,562,411</u>	<u>-</u>	<u>16,374</u>	<u>31,578,785</u>	<u>-</u>
Total Governmental Activities	<u><u>\$ 31,562,411</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,374</u></u>	<u><u>\$ 31,578,785</u></u>	<u><u>\$ -</u></u>

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
A Charter School and Component Unit of the District School Board of Brevard County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

12. MANAGEMENT AGREEMENT

The School entered into a management agreement on June 30, 2018 with Classical Education Management, L.L.C. Inc. to operate and manage the School. The management fee is \$480 per full-time equivalent (“FTE”) student enrolled at Charter School per year, payable monthly. Monthly installments are adjusted throughout the year as the Charter School’s FTE for FEFP for funding purposes is adjusted. The contract recognizes the importance of the employment of a Director of Operation This individual shall be employees of the Charter School, however the Manager shall reimburse Charter benefits 50% of the Salaries and Benefits of the Director of Operations. The amount of these reimbursements received during the fiscal year ended June 30, 2020 were \$115,654 plus an additional amount is due of \$8,742 for a total of \$124,395. The total amount paid on the Management Agreements during the fiscal year ended June 30, 2020 totaled \$405,576.

13. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the School’s State revenue:

Source	Amount
Florida Education Finance Program	\$ 3,742,053
Class Size Reduction	921,054
Charter School Capital Outlay	430,896
Discretionary Millage	359,363
Supplemental Academic Instruction	233,897
ESE Guaranteed Allocation	216,860
Discretionary Compression	91,039
Best & Brightest Teacher Scholarships	83,635
Instructional Materials	59,851
School Recognition Funds	58,896
Safe Schools	52,012
Reading Allocation	35,189
Funding Compression Allocation	22,249
Mental Health	21,592
Classroom Supply Allocation	16,214
Miscellaneous State Revenue	10,767
Library Media	3,831
Digital Classrooms Allocation	3,477
Discretionary Lottery	813
Total State Revenue	\$ 6,363,688

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$33,824.

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
A Charter School and Component Unit of the District School Board of Brevard County, Florida
NOTES TO FINANCIAL STATEMENTS
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14. FUNDING AND CREDIT CONCENTRATIONS

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

15. EQUIPMENT LEASES

The School is currently leasing computer equipment, copiers and modular units for use as classrooms. Future minimum lease payments under non-cancellable operating leases as of June 30 are as follows:

<u>Ending June 30</u>	<u>Total</u>
2021	\$ 56,386
2022	55,812
2023	23,452
2024	14,024
Total	<u>\$ 149,674</u>

16. RETIREMENT PLAN

The School participates in a defined contribution 403(b) plan for its full time employees. Contributions made by the School totaled \$87,147 for the year ended June 30, 2020, which were computed at 3% of employee’s deferral of wages for each participating employee. The employee must choose between a pretax or a Roth post tax deferral. Contributions are directed to individual employee’s accounts, and the individual employees allocate contributions and account balances among various available investment choices. Therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly the present value of the related benefits is not reflected in the financial statements. The School’s Board of Directors sets the plan contribution rate annually.

17. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2020, may be impaired.

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

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
A Charter School and Component Unit of the District School Board of Brevard County, Florida
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18. RISK MANAGEMENT PROGRAMS

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

19. LEGAL MATTERS

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

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (UNAUDITED)

For the Fiscal Year Ended June 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Intergovernmental:				
Federal Through State and Local	\$ 65,200	\$ -	\$ -	\$ -
State Sources	4,210,265	5,932,792	5,932,792	-
Local and Other	276,707	398,160	398,160	-
Total Revenues	<u>4,552,172</u>	<u>6,330,952</u>	<u>6,330,952</u>	<u>-</u>
Expenditures:				
Current - Education:				
Instruction	2,086,242	3,481,465	3,481,465	-
Instructional Support Services	59,786	212,820	212,820	-
Instructional Staff Training		6,846	6,846	-
Instructional-Related Technology		36,418	36,418	-
Board	440,341	405,577	405,577	-
School Administration	405,627	798,715	798,715	-
Fiscal Services	97,597	-	-	-
Food Services	140,129	-	-	-
Operation of Plant	217,519	460,636	460,636	-
Maintenance of Plant	4,788	31,365	31,365	-
Community Service	73,163	442,241	442,241	-
Debt Service:				
Interest & Fiscal Charges	909,922	-	-	-
Total Expenditures	<u>4,435,114</u>	<u>5,876,083</u>	<u>5,876,083</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>117,058</u>	<u>454,869</u>	<u>454,869</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers (Out)	-	(702,163)	(702,163)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(702,163)</u>	<u>(702,163)</u>	<u>-</u>
Net Change in Fund Balance	117,058	(247,294)	(247,294)	-
Fund Balance, July 1, 2019	186,000	203,877	203,877	-
Fund Balance, June 30, 2020	<u>\$ 303,058</u>	<u>\$ (43,417)</u>	<u>\$ (43,417)</u>	<u>\$ -</u>

See Independent Auditor's Report.

PINEAPPLE COVE CLASSICAL ACADEMY, INC.
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are presented on 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). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

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Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors Pineapple Cove Classical Academy, Inc.,
a Charter School and Component Unit of the
District School Board of Brevard County, 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 Pineapple Cove Classical Academy, Inc. (“School”), a charter school and component unit of the District 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 28, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 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.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, professional style.

August 28, 2020
Tampa, Florida



Members:
Florida Institute of CPAs
American Institute of CPAs
Government Audit Quality Center

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

To the Board of Directors Pineapple Cove Classical Academy, Inc.,
a Charter School and Component Unit of the
District School Board of Brevard County, Florida

Report on the Financial Statements

We have audited the financial statements of the Pineapple Cove Classical Academy, Inc. (“School”), a Charter School and Component Unit of the District 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 28, 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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated August 28, 2020, 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 prior audit findings or recommendations.

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 is Pineapple Cove Classical Academy, Inc., 056543.

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 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)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and the District School Board of Brevard County and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

August 28, 2020
Tampa, Florida