



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

Miami, Florida

Financial Statements and  
Independent Auditors' Report

June 30, 2020

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Pinecrest Cove Academy  
WL# 5049

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

2019-2020

BOARD OF DIRECTORS

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

SCHOOL ADMINISTRATION

Susie Dopico, Principal



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pinecrest Cove Academy (the "School"), a charter school under Pinecrest Academy, Inc, as of, and for the year ended June 30, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## **Opinions**

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

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Pinecrest Cove Academy as of June 30, 2020, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Pinecrest Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Pinecrest Academy, Inc. as of June 30, 2020 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Coral Gables, Florida  
September 14, 2020

CERTIFIED PUBLIC ACCOUNTANTS

**Management’s Discussion and Analysis**  
Pinecrest Cove Academy  
(A Charter School Under Pinecrest Academy, Inc.)  
June 30, 2020

The corporate officers of the Pinecrest Cove Academy (the “School”) have prepared this narrative overview and analysis of the School’s financial activities for the fiscal year ended June 30, 2020.

**Financial Highlights**

1. The net position of the School at June 30, 2020 was \$5,982,880.
2. At year-end, the School had current assets of \$4,273,448.
3. The net position of the School increased by \$794,582 during the year.
4. The unassigned fund balance at year end was \$3,713,415.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the School’s basic financial statements. The School’s financial statements for the year ended June 30, 2020 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

*Government-Wide Financial Statements*

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

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

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

The government-wide financial statements can be found on pages 9 – 10 of this report.

*Fund Financial Statements*

A “fund” is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

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

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

The basic governmental fund financial statements can be found on pages 11 - 15 of this report.

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 16 - 30 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, assets exceeded liabilities by \$5,982,880 at the close of the fiscal year. A summary of the School's net position as of June 30, 2020 and 2019 is as follows:

	2020	2019
Cash	\$ 728,136	\$ 474,983
Investments	3,440,000	2,808,000
Prepaid expenses	12,268	93,842
Due from other agencies	93,044	81,999
Deposits receivable, long term	3,064	3,064
Capital assets, net	584,133	677,653
Due from other divisions of Pinecrest Academy, Inc.	1,670,000	1,400,000
<b>Total Assets</b>	<u>6,530,645</u>	<u>5,539,541</u>
<b>Deferred outflows of resources</b>	-	-
Accounts payable and accrued liabilities	436,626	351,243
Due to Pinecrest Academy, Inc.	111,139	-
<b>Total Liabilities</b>	<u>547,765</u>	<u>351,243</u>
<b>Deferred inflows of resources</b>	-	-
<b>Net Position:</b>		
Net investment in capital assets and other long term receivables	584,133	677,653
Unrestricted	5,398,747	4,510,645
<b>Total Net Position</b>	<u>\$ 5,982,880</u>	<u>\$ 5,188,298</u>

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

A summary and analysis of the School’s revenues and expenses for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Program Revenues		
Capital outlay funding	\$ 580,520	\$ 560,461
Operating grants and contributions	255,581	375,451
Lunch program fees	85,634	104,359
Charges for services	124,890	154,705
General Revenues		
Local sources (FTE and other non specific)	7,078,411	6,782,928
Other revenues	200,889	129,229
<b>Total Revenues</b>	<u>\$ 8,325,925</u>	<u>\$ 8,107,133</u>
<b>EXPENSES</b>		
Governmental Activities:		
Instruction	\$ 3,851,790	\$ 3,459,211
Student support services	61,577	24,517
Instructional staff training	4,843	2,871
Board	48,595	48,520
General administration	36,148	-
School administration	833,513	755,512
Facilities acquisition	669	669
Fiscal services	142,500	142,200
Food services	282,538	368,638
Central services	170,663	194,430
Operation of plant	1,900,032	1,680,990
Maintenance of plant	148,783	161,483
Administrative technology services	49,692	45,735
Community services	-	69,384
<b>Total Expenses</b>	<u>7,531,343</u>	<u>6,954,160</u>
Increase in Net Position	794,582	1,152,973
Net Position at Beginning of Year	<u>5,188,298</u>	<u>4,035,325</u>
Net Position at End of Year	<u>\$ 5,982,880</u>	<u>\$ 5,188,298</u>

The School’s revenue increased by \$218,792 and expenditures increased by \$577,183. The School had an increase in its net position of \$794,582 for the current year.

### **Lease of Facility**

The School leases a facility located at 4101 SW 107th Avenue, Miami FL, 33165 and 4301 SW 107th Avenue, Miami, FL 33165.

### **Capital Improvement Requirements**

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

### **Accomplishments**

In 2020, Pinecrest Cove Academy completed its ninth year of operations, enrolling 968 students in grades Pre-Kindergarten – 8<sup>th</sup> grade. The School earned a letter grade of “A” for the 9<sup>th</sup> consecutive year, and ranked among the highest performing K-8 public schools in Miami-Dade County.



Due to the COVID-19 pandemic, the Florida Department of Education suspended state-mandated assessments for the 2020 school year. However, data from school-based internal assessments reflect that Pinecrest Cove Academy students made significant learning gains. During the 2019-2020, I-Ready Reading school average jumped from 55% to 83% and in Math 40% to 82%. Grade 5 and 8 Science Baseline assessment, 13% of students scored proficient in Science. By the mid-year assessment 67% of students scored proficient, a 54-point increase in student proficiency in just four months. Additionally, 7<sup>th</sup> graders taking the Civics Mid-Year Assessment scored a 99% proficient in the exam and a 96% proficiency for our 8<sup>th</sup> graders that took the Algebra 1 Mid-Year Assessment. Pinecrest Cove Academy offers its students a STEM-rich learning environment including classroom labs, laptops, iPads, and Chromebooks in addition to a state-of-the-art media center.

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

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

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND**

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

### **Governmental Funds**

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

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

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$3,725,683. The fund balance unassigned and available for spending at the School's discretion is \$3,713,415. These funds will be available for the School's future ongoing operations.

## Capital Assets

The School's investment in capital assets as of June 30, 2020 amounts to \$584,133 (net of accumulated depreciation). This investment in capital assets includes building improvements, audiovisual and software and furniture, fixtures and equipment. The School had no long term debt associated to its capital assets.

## Governmental Fund Budget Analysis and Highlights

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding	\$ 469,965	\$ 592,965	\$ 580,520
Federal sources	250,300	251,600	255,581
Lunch program	100,000	80,000	85,634
General Revenues			
FTE and other nonspecific revenues	6,970,150	7,078,784	7,078,411
Charges and other revenues	268,707	315,875	325,779
Total Revenues	<u>\$ 8,059,122</u>	<u>\$ 8,319,224</u>	<u>\$ 8,325,925</u>
CURRENT EXPENDITURES			
Governmental Activities			
Instruction	\$ 3,832,697	\$ 3,764,362	\$ 3,702,333
Student support services	67,202	65,125	61,577
Instructional staff training	5,000	5,000	4,843
Board	52,125	49,125	48,595
General administration	36,685	36,135	36,148
School administration	851,670	828,506	826,953
Food services	279,000	266,000	263,675
Fiscal services	142,500	142,500	142,500
Central services	192,500	182,500	170,663
Operation of plant	1,839,070	1,911,826	1,871,583
Maintenance of plant	170,000	149,000	133,871
Administrative technology services	37,750	58,505	49,692
Total Current Expenditures	<u>\$ 7,506,199</u>	<u>\$ 7,458,584</u>	<u>\$ 7,312,433</u>

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

## Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC 6340 Sunset Drive, Miami, Florida 33143.

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

Statement of Net Position  
June 30, 2020

	<u>Primary Government Governmental Activities</u>
<b><u>Assets</u></b>	
Current assets:	
Cash	\$ 728,136
Investments	3,440,000
Due from other agencies	93,044
Prepaid expenses	<u>12,268</u>
Total Current Assets	4,273,448
Capital assets, depreciable	1,920,624
Less: accumulated depreciation	<u>(1,336,491)</u>
	584,133
Due from Pinecrest Academy, Inc.	1,670,000
Deposits receivable	<u>3,064</u>
Total Assets	<u>6,530,645</u>
<b><u>Deferred Outflows of Resources</u></b>	<u>-</u>
<b><u>Liabilities</u></b>	
Current liabilities:	
Salaries and wages payable	314,834
Accounts payable	121,792
Due to Pinecrest Academy, Inc.	<u>111,139</u>
Total Liabilities	547,765
<b><u>Deferred Inflows of Resources</u></b>	<u>-</u>
<b>Net Position:</b>	
Net investment in capital assets and other long term receivables	584,133
Unrestricted	<u>5,398,747</u>
Total Net Position	<u>\$ 5,982,880</u>

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

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

Statement of Activities  
For the year ended June 30, 2020

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Primary Government</b>					
<b>Governmental activities:</b>					
Instruction	\$ 3,851,790	\$ 100,949	\$ 25,337	\$ -	\$ (3,725,504)
Student support services	61,577	-	-	-	(61,577)
Instructional staff training	4,843	-	-	-	(4,843)
Board	48,595	-	-	-	(48,595)
General administration	36,148	-	-	-	(36,148)
School administration	833,513	-	-	-	(833,513)
Facilities acquisition	669	-	-	-	(669)
Fiscal services	142,500	-	-	-	(142,500)
Food services	282,538	85,634	230,244	-	33,340
Central services	170,663	-	-	-	(170,663)
Operation of plant	1,900,032	23,941	-	580,520	(1,295,571)
Maintenance of plant	148,783	-	-	-	(148,783)
Administrative technology services	49,692	-	-	-	(49,692)
<b>Total governmental activities</b>	<b>7,531,343</b>	<b>210,524</b>	<b>255,581</b>	<b>580,520</b>	<b>(6,484,718)</b>
General revenues:					
FTE and other nonspecific revenues					7,078,411
Interest and other revenues					200,889
<hr/>					
Change in net position					794,582
Net position, beginning					5,188,298
Net position, ending					<u>\$ 5,982,880</u>

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

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

Balance Sheet - Governmental Funds  
June 30, 2020

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>			
Cash	\$ 728,136	\$ -	\$ 728,136
Investments	3,440,000	-	3,440,000
Due from other agencies	28,500	64,544	93,044
Due from fund	64,544	-	64,544
Prepaid expenses	12,268	-	12,268
Total Assets	4,273,448	64,544	4,337,992
<b>Deferred Outflows of Resources</b>			
	-	-	-
<b><u>Liabilities</u></b>			
Salaries and wages payable	314,834	-	314,834
Accounts payable	121,792	-	121,792
Due to Pinecrest Academy, Inc.	111,139	-	111,139
Due to fund	-	64,544	64,544
Total Liabilities	547,765	64,544	612,309
<b>Deferred Inflows of Resources</b>			
	-	-	-
<b><u>Fund balance</u></b>			
Nonspendable, not in spendable form	12,268	-	12,268
Unassigned	3,713,415	-	3,713,415
	3,725,683	-	3,725,683
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 4,273,448	\$ 64,544	\$ 4,337,992

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

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
June 30, 2020

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Total Fund Balance - Governmental Funds \$ 3,725,683

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

Capital assets of \$1,920,624 net of accumulated depreciation of \$1,336,491 used in governmental activities are not financial resources and therefore are not reported in the fund. 584,133

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

Long term receivable in governmental activities are not financial resources and therefore are not reported in the governmental funds. 1,670,000

Total Net Position - Governmental Activities \$ 5,982,880

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

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

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  
For the year ended June 30, 2020

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
State capital outlay funding	\$ -	\$ 580,520	\$ 580,520
State passed through local	7,078,411	-	7,078,411
Federal sources	-	255,581	255,581
Lunch program fees	-	85,634	85,634
Charges and other revenue	325,779	-	325,779
Total Revenues	<u>7,404,190</u>	<u>921,735</u>	<u>8,325,925</u>
<b>Expenditures:</b>			
<b>Current</b>			
Instruction	3,676,996	25,337	3,702,333
Student support services	61,577	-	61,577
Instructional staff training	4,843	-	4,843
Board	48,595	-	48,595
General administration	36,148	-	36,148
School administration	826,953	-	826,953
Food services	-	263,675	263,675
Fiscal services	142,500	-	142,500
Central services	170,663	-	170,663
Operation of plant	1,291,063	580,520	1,871,583
Maintenance of plant	133,871	-	133,871
Administrative technology services	49,692	-	49,692
<b>Capital Outlay:</b>			
Other capital outlay	125,390	-	125,390
Total Expenditures	<u>6,568,291</u>	<u>869,532</u>	<u>7,437,823</u>
Excess of revenues over expenditures	835,899	52,203	888,102
<b>Other financing sources (uses)</b>			
Transfers in (out)	52,203	(52,203)	-
Net change in long term receivables	<u>(270,000)</u>	<u>-</u>	<u>(270,000)</u>
Net change in fund balance	<u>618,102</u>	<u>-</u>	<u>618,102</u>
Fund Balance at beginning of year	<u>3,107,581</u>	<u>-</u>	<u>3,107,581</u>
Fund Balance at end of year	<u>\$ 3,725,683</u>	<u>\$ -</u>	<u>\$ 3,725,683</u>

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

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities  
For the year ended June 30, 2020

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Net Change in Fund Balance - Governmental Funds \$ 618,102

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$125,390 differed from depreciation expense of \$218,910. (93,520)

Increase in long-term receivables is an expenditure in the governmental funds, but a decrease or collections of such receivables reduces long term assets in the statement of net position. This is the amount by which increase in long-term receivables of \$950,000 exceeded collection of \$680,000. 270,000

Change in Net Position of Governmental Activities \$ 794,582

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



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

Statement of Net Position - Fiduciary Funds  
June 30, 2020

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	Agency Fund School's <u>Internal Fund</u>
<b><u>Assets</u></b>	
Cash	\$ 9,414
Total Assets	<u>9,414</u>
<b><u>Deferred Outflows of Resources</u></b>	<u>-</u>
<b><u>Liabilities</u></b>	
Due to students and clubs	9,414
Total Liabilities	<u>9,414</u>
<b><u>Deferred Inflows of Resources</u></b>	<u>-</u>
<b><u>Net position</u></b>	<u>\$ -</u>

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

## **Note 1 – Summary of Significant Accounting Policies**

Pinecrest Cove Academy (the "School"), is a charter school sponsored by the School Board of Miami-Dade County, Florida (the "District"). The Schools' charter is held by Pinecrest Academy, Inc, a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Pinecrest Academy, Inc, which is composed of seven members and also governs other charter schools. The board of directors has determined that no component units exists that would require inclusion in the School's financial statements.

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

The School is located in Miami, Florida for students from kindergarten through eighth grade and is funded by the District. These financial statements are for the year ended June 30, 2020, when on average 968 students were enrolled for the school year at two sites; approximately 150 students were enrolled in grades Kindergarten through first (site 1) and approximately 818 students were enrolled in grades two through eight (site 2).

### Basis of presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

### Government-wide and Fund Financial Statements

#### *Government-wide Financial Statements*

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

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

*Fund Financial Statements*

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

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

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

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

Measurement Focus and Basis of Accounting

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

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**Note 1 – Summary of Significant Accounting Policies (continued)**

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

The Fiduciary Funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Due from Other Governments or Agencies

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

Budgets and Budgetary Accounting

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

Cash and Investments

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

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

Prepaid Expenses and Other Assets

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

Inter-fund Transfers

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

Deferred Outflows/Inflows of Resources

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

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized.

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the government-wide statement. When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the government wide statements. Proceeds received from the sale or disposal of capital assets are recorded as Other Financing Sources in the governmental funds.

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

Building and Improvements	10 - 20 Years
Furniture and Equipment	5 Years
Textbooks, Audiovisual and Software	3 Years

**Note 1 – Summary of Significant Accounting Policies (continued)**

Compensated Absences

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

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

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefits years. The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

### **Note 1 – Summary of Significant Accounting Policies (continued)**

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

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

#### Net position and Fund Balance Classifications

##### *Government-wide financial statements*

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

- a) Net investment in capital assets- consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of balances with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. There is no restricted balance in net position at year end.
- c) Unrestricted net position - all other balances that do not meet the definition of "restricted" or "net investment in capital assets."

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

##### *Fund financial statements*

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

- a) Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories and prepaid expenses.



**Note 1 – Summary of Significant Accounting Policies (continued)**

- b) Restricted – this classification includes fund balance category amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School’s Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification that is intended to be used by the School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned – portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School’s general fund.

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

Income Taxes

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

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 14, 2020, which is the date the financial statements were available to be issued.

Use of Estimates

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

## **Note 2 – Cash and Investments**

### Deposits

The School maintains its cash in two financial institutions. As of June 30, 2020, the School's deposits consisted of cash balances of \$528,430.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Pinecrest Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Pinecrest Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2020, bank balances in potential excess of FDIC coverage was approximately \$706,888; including fiduciary account bank balances.

### Investments

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

At June 30, 2020, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$3,440,000 million valued using Level 2 inputs.

The government money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of June 30, 2020, maturities of the fund's portfolio holdings are approximately 63% within 30 days.

### Credit Risk

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

**Note 2 – Cash and Investments (Continued)**

*Custodial credit risk* is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2020, all of the School’s investments in government money market mutual funds were held in a separate account and designated as assets of the School.

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

**Note 3 – Capital Assets**

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2020:

	Balance 07/01/19	Additions	Retirements/ Reclassifications	Balance 06/30/20
Capital Assets, depreciable:				
Buildings and improvements	\$ 180,454	\$ 114,389	\$ (40,599)	\$ 254,244
Audio visual and software	100,799	-	(33,304)	67,495
Furniture, equipment and textbooks	1,786,634	11,001	(198,750)	1,598,885
Total Capital Assets	<u>2,067,887</u>	<u>125,390</u>	<u>(272,653)</u>	<u>1,920,624</u>
Less Accumulated Depreciation:				
Buildings and improvements	(85,732)	(36,409)	1,626	(120,515)
Audio visual and software	(81,453)	(16,672)	33,304	(64,821)
Furniture, equipment and textbooks	(1,223,049)	(165,829)	237,723	(1,151,155)
Total Accumulated Depreciation	<u>(1,390,234)</u>	<u>(218,910)</u>	<u>272,653</u>	<u>(1,336,491)</u>
Capital Assets, net	<u>\$ 677,653</u>	<u>\$ (93,520)</u>	<u>\$ -</u>	<u>\$ 584,133</u>

**Note 3 – Capital Assets (Continued)**

For the fiscal year ended June 30, 2020, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$	149,457
Facilities acquisition		669
School administration		6,560
Food		18,863
Maintenance		14,912
Operation of plant		28,449
Total Depreciation Expense	\$	<u>218,910</u>

**Note 4 – Education Service and Support Provider**

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

The agreement is with Pinecrest Academy, Inc. for a period of five years, through June 30, 2021, and unless terminated by the board shall be renewed along with any renewals to the charter agreement, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2020, the School incurred \$427,500, in fees. Academica Dade, LLC is located at 6340 Sunset Drive, Miami, Florida 33143.

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

Pinecrest Academy, Inc charges all its affiliated schools an assessment for shared corporate costs and accreditation expenses. Pinecrest Cove Academy paid Pinecrest Academy, Inc approximately \$142,500 in connection with these charges during the year.

The following schedule provides a summary of changes in long-term advances to other divisions of Pinecrest Academy, Inc for the year ended June 30, 2020:

	Balance 07/01/19	Additions	Repayments	Balance 06/30/20
Pinecrest Academy, Inc.	<u>\$ 1,400,000</u>	<u>\$ 950,000</u>	<u>\$ (680,000)</u>	<u>\$ 1,670,000</u>
Total Long Term Receivables	<u>\$ 1,400,000</u>	<u>\$ 950,000</u>	<u>\$ (680,000)</u>	<u>\$ 1,670,000</u>

**Note 5 – Transactions with other divisions of Pinecrest Academy, Inc. (continued)**

In addition, Pinecrest Academy, Inc. paid for some building improvements on behalf of the School totaling \$111,139 which are recorded as due to Pinecrest Academy, Inc in the statement of net position as of year-end.

**Note 6 – Commitments, Contingencies and Concentrations**

The School entered into a commercial lease agreement with River of Hope Presbyterian Church, Inc. for its 4101 facility. Fixed initial annual payments under this agreement are based on a fee of \$700 per student. Additional property costs will include repairs, maintenance and insurance. The agreement continues through July 15, 2015 with an additional term of three years followed by automatic renewal for additional terms of two years each unless and until terminated as provided by in the agreement. This agreement automatically renewed for 2 more years.

Future minimum payments for the 4101 facility are as follows:

<u>Year</u>		
2021	\$	105,000
2022	\$	105,000

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

Based on the usage fee agreement, commencing on August 1, 2014 the School will pay to Pinecrest Academy, Inc. the sum of \$699,562 per year, payable on a monthly basis and be responsible for the payment of all costs of improvement to the property from time to time, all costs of insurance and other property costs as determined necessary by the board of directors. During the 2019-2020 School year the fee was increased to \$1,200 per FTE student and Pre-K students.

For 2020, rent expense totaled \$1,090,800 which related to the facility leases.

**Note 6 – Commitments and Contingencies (Continued)**

Future payments under the fee agreement are as follows:

<u>Year</u>			
2021	\$	981,600	
2022	\$	981,600	
2023	\$	981,600	
2024	\$	981,600	
2025	\$	981,600	
2026-2030	\$	4,908,000	(total for five year period)
2031-2035	\$	4,908,000	(total for five year period)
2036-2040	\$	4,908,000	(total for five year period)
2041-2045	\$	4,908,000	(total for five year period)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2021	\$ 435,000	\$ 1,173,125	\$ 1,608,125	
2022	\$ 460,000	\$ 1,150,750	\$ 1,610,750	
2023	\$ 480,000	\$ 1,127,250	\$ 1,607,250	
2024	\$ 505,000	\$ 1,102,625	\$ 1,607,625	
2025	\$ 535,000	\$ 1,076,625	\$ 1,611,625	
2026-2030	\$ 3,105,000	\$ 4,943,625	\$ 8,048,625	(total for five year period)
2031-2035	\$ 3,985,000	\$ 4,061,875	\$ 8,046,875	(total for five year period)
2036-2040	\$ 5,150,000	\$ 2,896,163	\$ 8,046,163	(total for five year period)
2041-2045	\$ 8,350,000	\$ 1,306,463	\$ 9,656,463	(total for five year period)

**Note 6 – Commitments and Contingencies (Continued)**

Contingencies and concentrations

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits.

It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 2% of the qualifying revenues of the School. For the year ended June 30, 2020, administrative fees withheld by the School District totaled \$36,148.

The ongoing spread of the new COVID-19 had become a threat to the global economy and financial markets. As a result of the pandemic, the School will begin the 2020-2021 school year under distance learning. The ultimate effect of COVID-19 on the School and its future operations cannot presently be determined.

**Note 7 - Interfund Transfers**

Interfund transfers in government funds as of June 30, 2020 consists of the followings

	General Fund	Non-Major Governmental Funds
To transfer lunch surplus	\$ 52,203	\$ (52,203)
Total Transfers, net	<u>\$ 52,203</u>	<u>\$ (52,203)</u>

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

Due to General Fund from Capital Projects Fund for capital outlay	\$ 39,207	\$ (39,207)
Due to General Fund from Special Revenue Fund for Title IV	25,337	(25,337)
Total Due from/(Due to)	<u>\$ 64,544</u>	<u>\$ (64,544)</u>

### **Note 8 – Risk Management**

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

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

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

### **Note 9 – Defined Contribution Retirement Plan**

The School’s personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School provides a match of 100% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed to the Plan \$76,787 for the year ended June 30, 2020. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by Voya Financial.



REQUIRED SUPPLEMENTARY INFORMATION

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

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2020

	General Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State passed through local	\$ 6,970,150	\$ 7,078,784	\$ 7,078,411
Charges and other revenue	268,707	315,875	325,779
Total Revenues	<u>7,238,857</u>	<u>7,394,659</u>	<u>7,404,190</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	3,811,347	3,727,316	3,676,996
Student support services	67,202	65,125	61,577
Instructional staff training	5,000	5,000	4,843
Board	52,125	49,125	48,595
General administration	36,685	36,135	36,148
School administration	851,670	828,506	826,953
Fiscal services	142,500	142,500	142,500
Central services	192,500	182,500	170,663
Operation of plant	1,369,105	1,318,861	1,291,063
Maintenance of plant	170,000	149,000	133,871
Administrative technology services	37,750	58,505	49,692
Total Current Expenditures	<u>6,735,884</u>	<u>6,562,573</u>	<u>6,442,901</u>
Excess of Revenues Over Current Expenditures	<u>502,973</u>	<u>832,086</u>	<u>961,289</u>
Capital Outlay	<u>110,000</u>	<u>125,000</u>	<u>125,390</u>
Total Expenditures	<u>6,845,884</u>	<u>6,687,573</u>	<u>6,568,291</u>
Excess of Revenues Over Expenditures	392,973	707,086	835,899
Other financing sources (uses):			
Transfers in (out)	49,950	28,554	52,203
Net change in long term receivables	<u>-</u>	<u>(270,000)</u>	<u>(270,000)</u>
Net change in fund balance	442,923	465,640	618,102
Fund Balance at beginning of year	<u>3,107,581</u>	<u>3,107,581</u>	<u>3,107,581</u>
Fund Balance at end of year	<u>\$ 3,550,504</u>	<u>\$ 3,573,221</u>	<u>\$ 3,725,683</u>

Notes to Budgetary Comparison Schedule

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pinecrest Cove Academy (the “School”) as of, and for the year ended June 30, 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 September 14, 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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We issued a separate management letter dated September 14, 2020 pursuant to Chapter 10.850, Rules of the Auditor General.

## **Purpose of this Report**

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 14, 2020



## MANAGEMENT LETTER

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

### **Report on the Financial Statements**

We have audited the financial statements of Pinecrest Cove Academy, Miami, Florida as of and for the fiscal year ended June 30, 2020 and have issued our report thereon dated September 14, 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 Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule which are dated September 14, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

### **Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity is Pinecrest Cove Academy, 5049.

## **Financial Condition and Management**

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

Pursuant to Sections 10.854(1)(e)6.a and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Pinecrest Cove Academy. It is management's responsibility to monitor Pinecrest Cove Academy's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendation to improve financial management. In connection with our audit, we did not have 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 Pinecrest Cove Academy maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Pinecrest Cove Academy maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

## **Additional Matters**

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

## **Status of Prior Year Findings**

### ML – 19-01 CAPITAL ASSETS

- Recom-  
mendation: We recommend that the School perform an annual inventory of all capital assets and reconcile to the capital asset ledgers recorded on the School's books.
- Status: The School has adopted financial policies and procedures regarding capital assets, to include a formal process of reconciling the capital assets inventory reports to the School's trial balance.

ML – 19-02 AFTERCARE ACCOUNT

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

Status: Procedures were established to ensure that School administration reports all of the School's related expenditures paid out of the aftercare program to the accounting department for recording on the accounts of the School.

**Purpose of this Letter**

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

A handwritten signature in blue ink that reads "HLB Gravier, CPA". The signature is written in a cursive style.

Coral Gables, Florida  
September 14, 2020

CERTIFIED PUBLIC ACCOUNTANTS