

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

P&M PELLEGRINO &
McFARLAND P.A.
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	9
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	10
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	12
Statement of Fiduciary Net Position – Fiduciary Funds.....	13
Notes to the Basic Financial Statements	14
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General and Capital Projects Funds (Unaudited).....	23
OTHER INDEPENDENT AUDITORS' REPORTS	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Management Letter	26

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sarasota Academy of the Arts, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the General Fund, Capital Projects Fund and Agency Fund of Sarasota Academy of the Arts, Inc. (the Charter School), a Charter School and component unit of the School Board of Sarasota County, Florida, as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise Sarasota Academy of the Arts, Inc.'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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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, the General Fund, Capital Projects Fund, and Agency Fund of Sarasota Academy of the Arts, Inc., as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of Sarasota Academy of the Arts, Inc.'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 Sarasota Academy of the Arts, Inc.'s internal control over financial reporting and compliance.

Pellegrino & McFarland, P.A.

Sarasota, Florida
October 28, 2020

SARASOTA ACADEMY OF THE ARTS, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2020

The following pages represent Management's Discussion and Analysis (MD&A) of Sarasota Academy of the Arts, Inc. (the Charter School). It depicts and reviews the financial picture and activities of the Charter School as of and for the year ended June 30, 2020.

The intent of this MD&A is to present a picture and assessment of the Charter School's financial performance in an effort to more clearly demonstrate to readers the results of this year's financial operations. Readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

Using the Financial Statements

This financial report includes a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the Charter School as a financial whole, or as an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the Charter School as a whole, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. The Governmental Fund statements show how services were financed in the short-term as well as what financial resources remain for future spending.

Financial Highlights

Statement of Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Current assets	\$ 354,551	\$ 196,032	\$ 158,519
Noncurrent assets	<u>774,746</u>	<u>802,687</u>	<u>(27,941)</u>
Total Assets	<u>\$ 1,129,297</u>	<u>\$ 998,719</u>	<u>\$ 130,578</u>
Current liabilities	\$ 70,734	\$ 82,470	\$ (11,736)
Noncurrent liabilities	<u>260,240</u>	<u>277,097</u>	<u>(16,857)</u>
Total Liabilities	<u>\$ 330,974</u>	<u>\$ 359,567</u>	<u>\$ (28,593)</u>
Net investment in capital assets	\$ 411,278	\$ 423,395	\$ (12,117)
Restricted	99,761	99,634	127
Unrestricted	<u>287,284</u>	<u>116,123</u>	<u>171,161</u>
Total Net Position	<u>\$ 798,323</u>	<u>\$ 639,152</u>	<u>\$ 159,171</u>

Total assets decreased by 13% due lower expenses that lead to an increase in the balance of cash and cash equivalents at year end.

Total liabilities decreased by 8% due primarily to the principal payments on the note payable and a reduction in unpaid invoices at year end.

SARASOTA ACADEMY OF THE ARTS, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2020

Statement of Activities

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues			
Program revenues			
Charges for services	\$ 133,772	\$ 127,829	\$ 5,943
Operating grants and contributions	28,495	7,659	20,836
General revenues			
Florida education finance program	1,980,997	2,064,772	(83,775)
Other state revenue	110,803	110,443	360
Other local revenue	21,797	35,057	(13,260)
Restricted investment earnings	127	149	(22)
Total revenues	<u>2,275,991</u>	<u>2,345,909</u>	<u>(69,918)</u>
Expenditures			
Instruction	1,229,924	1,181,058	48,866
Exceptional instruction	45,669	113,698	(68,029)
Instructional support services	1,110	-	1,110
Instructional media services	-	1,316	(1,316)
Instruction and curriculum development services	-	17,255	(17,255)
Instructional staff training services	1,371	7,662	(6,291)
Instruction-related technology	2,222	50,313	(48,091)
Board	15,501	15,977	(476)
General administration	37,323	39,420	(2,097)
School administration	310,145	444,995	(134,850)
Facility services – non-capitalized	25,012	12,844	12,168
Fiscal services	32,374	27,856	4,518
Food services	2,204	21,251	(19,047)
Central services	2,058	764	1,294
Student transportation services	39,385	49,602	(10,217)
Operation of plant	243,984	297,621	(53,637)
Maintenance of plant	45,177	44,769	408
Administrative technology	45,554	-	45,554
Community services	22,715	32,852	(10,137)
Debt service	15,092	17,945	(2,853)
Total expenditures	<u>2,116,820</u>	<u>2,377,198</u>	<u>(260,378)</u>
Change in net position	159,171	(31,289)	190,460
Net position - beginning	<u>639,152</u>	<u>670,441</u>	<u>(31,289)</u>
Net position - ending	<u>\$ 798,323</u>	<u>\$ 639,152</u>	<u>\$ 159,171</u>

Total revenues decreased by 3%.

Total expenditures decreased 11%. Decreases were operation of plant and salaries/staffing. The largest concentration of expenses during the year were for the purposes of instruction (59%), school administration (15%), and operation of plant (18%).

SARASOTA ACADEMY OF THE ARTS, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2020

Capital Assets and Long-term Debt Administration

Below is a schedule of the Charter School's capital assets as of June 30, 2020 and 2019. See Note 4 to the financial statements for a detail of the activity during the fiscal year and other related information.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Capital assets, not being depreciated			
Land	\$ 474,603	\$ 474,603	\$ -
Capital assets, being depreciated			
Building and improvements	216,173	216,173	-
Furniture, fixtures and equipment	83,131	83,131	-
Motor vehicles	31,287	31,287	-
Property under capital leases	<u>5,630</u>	<u>5,630</u>	<u>-</u>
Total capital assets being depreciated	336,221	336,221	-
Less accumulated depreciation	<u>135,839</u>	<u>107,771</u>	<u>28,068</u>
Total capital assets being depreciated, net	<u>200,382</u>	<u>228,450</u>	<u>(28,068)</u>
Capital assets, net	<u>\$ 674,985</u>	<u>\$ 703,053</u>	<u>\$ (28,068)</u>

Capital asset changes during the year were due to the annual depreciation of current capital assets.

Long-term Debt

Below is a schedule of outstanding debt as of June 30, 2020 and 2019. See Note 5 to the financial statements for a detail of changes during the fiscal year and specific debt provisions.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Notes payable	\$ <u>263,707</u>	\$ <u>279,658</u>	\$ <u>(15,951)</u>

Changes in debt during the year included payment of principal of \$15,951.

Economic Factors and the Budget

The viability and future goals of the Sarasota Academy of the Arts, Inc. are based on the continuation of conservative and creative financial management. The school's future success rests with the choice to continue prudent and conservative financial management as well as meeting and surpassing the academic and creative needs of its students.

SARASOTA ACADEMY OF THE ARTS, INC,
Management's Discussion and Analysis (Unaudited)
June 30, 2020

Request for Information

This financial report is designed to provide a general overview of the Sarasota Academy of the Arts, Inc.'s finances for those with an interest in the Charter School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the below:

For further information, contact;

Dr. Jodi Kopacz, Principal
4466 Fruitville Road
Sarasota, Florida 34232
Telephone: 941-377-2278

SARASOTA ACADEMY OF THE ARTS, INC.

Statement of Net Position

June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 354,551
Total Current Assets	<u>354,551</u>
Noncurrent Assets	
Restricted cash and cash equivalents	99,761
Nondepreciable capital assets	474,603
Depreciable capital assets, net	<u>200,382</u>
Total Noncurrent Assets	<u>774,746</u>
 Total Assets	 <u><u>\$ 1,129,297</u></u>
 LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	\$ 4,741
Accrued payroll	49,025
Notes payable, current portion	<u>16,968</u>
Total Current Liabilities	70,734
Noncurrent Liabilities	
Compensated absences	13,501
Notes payable	<u>246,739</u>
Total Noncurrent Liabilities	<u>260,240</u>
 Total Liabilities	 330,974
Net position	
Net investment in capital assets	411,278
Restricted	99,761
Unrestricted	<u>287,284</u>
Total Net Position	<u>798,323</u>
 Total Liabilities and Net Position	 <u><u>\$ 1,129,297</u></u>

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

SARASOTA ACADEMY OF THE ARTS, INC.

Statement of Activities

For the Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary government:					
Governmental activities					
Instruction	\$ 1,229,924	\$ -	\$ -	\$ 54,832	\$ (1,175,092)
Exceptional instruction	45,669	-	8,391	-	(37,278)
Instructional support services	1,110	-	-	-	(1,110)
Instructional staff training services	1,371	-	-	-	(1,371)
Instruction-related technology	2,222	-	-	-	(2,222)
Board	15,501	-	-	-	(15,501)
General administration	37,323	-	-	-	(37,323)
School administration	310,145	-	-	-	(310,145)
Facility services - non-capitalized	25,012	-	-	-	(25,012)
Fiscal services	32,374	-	-	-	(32,374)
Food services	2,204	-	-	-	(2,204)
Central services	2,058	-	-	-	(2,058)
Pupil transportation	39,385	-	-	-	(39,385)
Operation of plant	243,984	-	20,104	-	(223,880)
Maintenance of plant	45,177	-	-	-	(45,177)
Administrative technology	45,554	-	-	-	(45,554)
Community services	22,715	133,772	-	-	111,057
Debt service	15,092	-	-	-	(15,092)
	<u>\$ 2,116,820</u>	<u>\$ 133,772</u>	<u>\$ 28,495</u>	<u>\$ 54,832</u>	<u>\$ (1,899,721)</u>
General revenues:					
Florida education finance program					1,926,165
Other state revenue					110,803
Other local revenue					21,797
Restricted investment earnings, net of fees					<u>127</u>
Total general revenues					<u>2,058,892</u>
Change in net position					159,171
Net position - beginning					<u>639,152</u>
Net position - ending					<u>\$ 798,323</u>

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

SARASOTA ACADEMY OF THE ARTS, INC.
 Balance Sheet - Governmental Funds
 June 30, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 354,551	\$ -	\$ 354,551
Total Current Assets	354,551	-	354,551
Noncurrent Assets			
Restricted cash and cash equivalents	99,761	-	99,761
Total Assets	\$ 454,312	\$ -	\$ 454,312
 LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable	\$ 4,741	\$ -	\$ 4,741
Accrued payroll	49,025	-	49,025
Total Liabilities	53,766	-	53,766
Fund Balance			
Restricted	99,761	-	99,761
Unassigned	300,785	-	300,785
Total Fund Balance	400,546	-	400,546
Total Liabilities and Fund Balance	\$ 454,312	\$ -	\$ 454,312

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

SARASOTA ACADEMY OF THE ARTS, INC.
 Reconciliation of the Balance Sheet of the Governmental Funds
 to the Statement of Net Position
 June 30, 2020

		<u>Primary Government</u>
Total Fund Balance - Governmental Funds		<u>\$ 400,546</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Nondepreciable capital assets	\$ 474,603	
Capital assets	336,221	
Less accumulated depreciation	<u>(135,839)</u>	674,985
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences	(13,501)	
Notes payable	<u>(263,707)</u>	<u>(277,208)</u>
Net Position of Governmental Activities		<u><u>\$ 798,323</u></u>

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

SARASOTA ACADEMY OF THE ARTS, INC.
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Capital Projects Fund	Total Primary Government
Revenues			
Federal through state	\$ 8,391	\$ -	\$ 8,391
State	1,682,558	110,803	1,793,361
Local	474,112	-	474,112
Investment income	127	-	127
Total revenues	2,165,188	110,803	2,275,991
Expenditures			
Education			
Basic instruction	1,221,358	-	1,221,358
Exceptional instruction	45,669	-	45,669
Instructional support services	1,110	-	1,110
Instructional staff training services	1,371	-	1,371
Instruction-related technology	2,222	-	2,222
Board	15,501	-	15,501
General administration	37,323	-	37,323
School administration	309,382	-	309,382
Facility services - non-capitalized	12,138	-	12,138
Fiscal services	31,896	-	31,896
Food services	1,975	-	1,975
Central services	2,058	-	2,058
Pupil transportation	34,227	-	34,227
Operation of plant	243,984	-	243,984
Maintenance of plant	45,177	-	45,177
Administrative technology	45,554	-	45,554
Community services	22,715	-	22,715
Debt service			
Principal	15,951	-	15,951
Interest	15,092	-	15,092
Total expenditures	2,104,703	-	2,104,703
Excess (deficit) of revenues over expenditures	60,485	110,803	171,288
Other financing sources (uses)			
Transfer between funds	110,803	(110,803)	-
Net change in fund balance	171,288	-	171,288
Fund balance at beginning of year	229,258	-	229,258
Fund balance at end of year	\$ 400,546	\$ -	\$ 400,546

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

SARASOTA ACADEMY OF THE ARTS, INC.
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balance of the Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2020

Net Change in Fund Balance - Governmental Funds \$ 171,288

Amounts reported 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 exceeded depreciation expense in the current period.

Less current year depreciation	<u>\$ (28,068)</u>	(28,068)
--------------------------------	--------------------	----------

Repayment of principal is an expenditure in the governmental funds, but, the repayment reduces noncurrent liabilities in the statement of net position.

Principal repayments	<u>15,951</u>	15,951
----------------------	---------------	--------

Change in Net Position - Governmental Activities		<u><u>\$ 159,171</u></u>
--	--	--------------------------

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

SARASOTA ACADEMY OF THE ARTS, INC.
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2020

	<u>Agency Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	<u>\$ 12,834</u>
Total Assets	<u>\$ 12,834</u>
LIABILITIES	
Current Liabilities	
Due to PTO	<u>\$ 12,834</u>
Total Liabilities	<u>\$ 12,834</u>

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

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2020

NOTE 1 – ORGANIZATION

Reporting Entity: Sarasota Academy of the Arts, Inc. (the Charter School) is a not-for-profit corporation formed on July 19, 2012, pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes. The governing body of the Charter School is a Board of Directors of no less than five members. The Charter School is dedicated to teaching principles of academic excellence and social responsibility to grades K-8 through involvement of students, faculty, parents, mentors, and the community. The Charter School's curriculum emphasizes the arts encouraging students to learn, think and explore by traditional and nontraditional means.

The general operating authority of the Charter School is contained in Chapter 1002.33, Florida Statutes. The Charter School operates under a charter of the sponsoring school board, the School Board of Sarasota County, Florida (the School Board). The current charter is effective until June 30, 2033, and may be renewed by mutual agreement between the Charter School and the School Board. The Charter School is considered a component unit of the School Board.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The basic financial statements of the Charter School have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of government accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as GAAP for state and local governments.

Government-Wide and Fund Financial Statements: The Charter School's basic financial statements include both government-wide (reporting on the Charter School as a whole) and fund financial statements (reporting on the General Fund and Capital Projects Fund). Both the government-wide and fund financial statements present only governmental activities. The Charter School has no business type activities.

In the government-wide Statement of Net Position, the Charter School reports on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Charter School's net position are reported in three parts (as applicable): net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function (or segment) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted grants and contributions and other items not properly included among program revenues are reported as general revenues.

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures.

The individual generic fund types in the Charter School's financial statements are governmental funds. The focus of the governmental funds' measurement (in the fund statements) is on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than net income.

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

Capital Projects Fund – this fund is used to account for state capital outlay funding that is legally restricted to expenditures for particular purposes.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current period. When grant terms provide that the expenditure of resources is the determining factor for eligibility for Federal, State and other grant resources, revenue is recognized at the time the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues for current operations received from the School Board of Sarasota County, Florida, pursuant to the funding provisions included in the Charter School's charter are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Charter School.

Budgetary Basis of Accounting: The annual budget was adopted on the modified accrual basis of accounting. The level of budgetary control is at the entity level. All annual appropriations lapse at fiscal year-end. For fiscal year ended June 30, 2020, appropriations exceeded expenses by \$171,288. Revisions to the annual budget are approved by the Board.

SARASOTA ACADEMY OF THE ARTS, INC.
Notes to the Basic Financial Statements
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash Deposits: The Charter School’s cash consists of demand deposits with financial institutions insured by the Federal Depository Insurance Company. The Charter School has no cash equivalents.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Receivables: All amounts due from the School Board and other receivables are deemed collectible. Therefore, no allowance has been recorded as of June 30, 2020.

Capital Assets: Capital assets are reported in the governmental activities column in the government-wide financial statements and are not reported in the fund financial statements. Capital assets are defined by the Charter School as assets with an initial cost of more than \$750 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed or estimated historical cost when actual historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. All capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 10 to 39 years for buildings and improvements, and 3 to 10 years for furniture, fixtures and equipment, and 3 to 5 years for software.

Long-term Debt: In the governmental-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of the debt issued as other financing sources.

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Equity: Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance: Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are classified as follows:

- Nonspendable: This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted: This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.
- Committed: This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Charter School’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Charter School removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.
- Assigned: This component consists of amounts that are constrained by the Charter School’s intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Directors.
- Unassigned: This classification represents amounts that have not been restricted, committed or assigned to a specific purpose within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance.

Net Position: Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations. All net positions not reported as net investment in capital assets and restricted net position, are reported as unrestricted net position.

SARASOTA ACADEMY OF THE ARTS, INC.
Notes to the Basic Financial Statements
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Flow Assumptions: When both restricted and unrestricted amounts of fund balance/net position are available for use for expenditures/expenses incurred, it is the Charter School's policy to use restricted amounts first, then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Revenue Sources: Revenues for current operations are received primarily from the School Board of Sarasota County pursuant to the funding provisions included in the Charter School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the Charter School reports the number of full-time equivalent (FTE) students and related data to the School Board. Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the Charter School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the Charter School during the designated full-time equivalent student survey periods.

The Charter 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.

Additional revenues are derived from various fund-raising activities, contributions and interest earned.

Income Taxes: The Charter School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The Charter School's status as a tax exempt not-for-profit entity is considered a tax position subject to reporting requirements under FASB Accounting Standards Codification 740-10. Entities are required to examine all tax positions and determine if it is more likely than not that the positions would be sustained upon examination by taxing authorities. The Charter School has not recorded any accruals for uncertain income tax positions at June 30, 2020.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SARASOTA ACADEMY OF THE ARTS, INC.
Notes to the Basic Financial Statements
June 30, 2020

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash: Custodial credit risk is the risk that in the event of bank failure, the Charter School’s deposits may not be returned. The Charter School can mitigate this risk by depositing funds in financial institutions insured by Federal depository insurance. The deposits are insured by the FDIC up to \$250,000 per bank institution. At June 30, 2020, the carrying amount of the Charter School’s deposits was \$467,146 and bank balances were \$467,768. The Charter School had uninsured balances of \$118,134 as of June 30, 2020.

Restricted Cash: At June 30, 2020, the Charter School reported restricted cash in the amount of \$99,761.

The School Board requires the Charter School to carry a reserve of \$200,000.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2020</u>
Capital assets, not being depreciated				
Land	\$ 474,603	\$ -	\$ -	\$ 474,603
Capital assets, being depreciated				
Buildings and improvements	216,173	-	-	216,173
Furniture, fixtures and equipment	83,131	-	-	83,131
Motor vehicles	31,287	-	-	31,287
Property under capital leases	<u>5,630</u>	<u>-</u>	<u>-</u>	<u>5,630</u>
Total capital assets being depreciated	<u>336,221</u>	<u>-</u>	<u>-</u>	<u>336,221</u>
Less accumulated depreciation				
Buildings and improvements	46,761	11,568	-	58,329
Furniture, fixtures and equipment	43,662	11,113	-	54,775
Motor vehicles	11,718	5,387	-	17,105
Property under capital leases	<u>5,630</u>	<u>-</u>	<u>-</u>	<u>5,630</u>
Total accumulated depreciation	<u>107,771</u>	<u>28,068</u>	<u>-</u>	<u>135,839</u>
Total capital assets being depreciated, net	<u>228,450</u>	<u>(28,068)</u>	<u>-</u>	<u>200,382</u>
Capital assets, net	<u>\$ 703,053</u>	<u>\$ (28,068)</u>	<u>\$ -</u>	<u>\$ 674,985</u>

SARASOTA ACADEMY OF THE ARTS, INC.
Notes to the Basic Financial Statements
June 30, 2020

NOTE 4 – CAPITAL ASSETS – CONTINUED

Depreciation expense in the amount of \$28,068 for the year ended June 30, 2020, was allocated to the following functions:

Instruction	\$ 8,566
School administration	763
Facilities acquisition and construction	12,874
Fiscal services	478
Food services	229
Student transportation services	<u>5,158</u>
Total	<u>\$ 28,068</u>

NOTE 5 – NONCURRENT LIABILITIES

Activity for noncurrent liabilities for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	<u>Additions</u>	<u>Reductions</u>	Due Within One Year	Balance June 30, 2020
Governmental activities					
Compensated absences	\$ 13,501	\$ -	\$ -	\$ -	\$ 13,501
Notes payable	<u>279,658</u>	<u>-</u>	<u>15,951</u>	<u>16,968</u>	<u>263,707</u>
Totals	<u>\$ 293,159</u>	<u>\$ -</u>	<u>\$ 15,951</u>	<u>\$ 16,968</u>	<u>\$ 277,208</u>

Long-Term Debt

The Charter School is obligated on long-term debt in the form of a \$315,000 promissory note due to Bank OZK for the purchase of land. The note is payable in monthly principal and interest installments of \$2,587 for five years, until November 17, 2021, when the final payment estimated at \$240,000 will be due. The note carries a variable interest based of U.S. Prime plus 2%. The interest rate change will not occur more often than each five years. The initial rate and the rate in effect as of June 30, 2020 was 5.5%.

The Charter School has certain loan covenants within their agreements with Bank OZK. As of June 30, 2020 these loan covenants are being met.

Future maturities of long-term debt are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 16,968	\$ 14,074	\$ 31,042
2022	<u>246,739</u>	<u>6,682</u>	<u>253,421</u>
Total	<u>\$ 263,707</u>	<u>\$ 20,756</u>	<u>\$ 284,463</u>

SARASOTA ACADEMY OF THE ARTS, INC.
Notes to the Basic Financial Statements
June 30, 2020

NOTE 6 – RELATED PARTY FACILITY LEASE

The Charter School entered into a lease for administrative and classroom space under an operating lease with a related party, for an initial term of June 1, 2018 through May 31, 2023. The base monthly rent is \$7,500, with an increase of 1% annually. The building was sold in March 2020. The lease terms continue with the new owner, who is not a related party. For the year ended June 30, 2020, total lease expense was \$90,000. The new owner is billing the Charter School at a discount rate per month, as an incentive for the Charter School to relocate before maturity of the lease. The difference between the discount rate and monthly rate per the lease agreement is recorded as an in-kind contribution. In-kind contribution for the year ended June 30, 2020, totals \$20,104.

During the year, the Charter School entered into a purchase agreement with the new owner, for the sale of vacant land, owned by the Charter School.

NOTE 7 – EQUIPMENT LEASE AGREEMENT

In August 2017, the Charter School entered into an operating lease agreement with Dell Financial Services for computer equipment with 36 monthly payments of \$773. The lease agreement has an option to purchase the equipment at fair market value at maturity of the lease. The following is a schedule of future minimum lease payments required under the current operating lease:

Fiscal Year Ending	
<u>June 30,</u>	
2021	\$ <u>773</u>
Future minimum payments	\$ <u>773</u>

NOTE 8 – RETIREMENT PLAN

The Charter School sponsors a defined contribution pension plan that covers all full-time employees that have met certain age and service requirements. The Charter School's contributions to the plan are \$400 the first year, \$500 the second year and \$600 the third year per participating employee. Employees are vested in the plan according to a schedule. For the year ended June 30, 2020, the Charter School's retirement plan contributions were \$31,520.

SARASOTA ACADEMY OF THE ARTS, INC.
Notes to the Basic Financial Statements
June 30, 2020

NOTE 9 – LOCAL REVENUE SOURCES

The following is a schedule of local revenue sources and amounts:

<u>Source</u>	<u>Amount</u>
Federal through state	
IDEA grant	\$ <u>8,391</u>
State through local	
Base funding	1,338,723
Reading instruction	9,423
Classroom for kids	237,682
Capital improvements	54,832
Other state revenue	<u>135,560</u>
Subtotal	<u>1,776,220</u>
Charges for services	
Clubs	29,657
Field trips	86,414
Performing arts	13,612
Other charges	<u>2,315</u>
Subtotal	<u>131,998</u>
Local	
Referendum millage allocation	298,439
Instructional materials	17,141
Grants/donations/fundraising	25,240
Other local revenue	<u>18,435</u>
Subtotal	<u>359,255</u>
Interest income	<u>127</u>
Total	<u>\$ 2,275,991</u>

NOTE 10 – RISK MANAGEMENT PROGRAMS

The Charter 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 Charter School has purchased commercial insurance.

NOTE 11 – EVALUATION OF SUBSEQUENT EVENTS

In October 2020, the Charter School sold the vacant land to an outside buyer, and paid a fee to the building owner to release the Charter School from the purchase agreement.

The Charter School has evaluated subsequent events through October 28, 2020 the date the financial statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

SARASOTA ACADEMY OF THE ARTS, INC.
 Required Supplementary Information
 Budgetary Comparison Schedule - General and Capital Projects Funds (Unaudited)
 For the Year Ended June 30, 2020

	Primary Government			Over / (Under)
	Original Budget	Final Budget	Actual	
Revenues				
Federal through state	\$ -	\$ -	\$ 8,391	8,391
State	2,124,987	2,124,987	1,793,361	(331,626)
Local	151,825	151,825	474,112	322,287
Investment income	156	156	127	(29)
Total revenues	<u>2,276,968</u>	<u>2,276,968</u>	<u>2,275,991</u>	<u>(977)</u>
Expenditures				
Education				
Basic instruction	1,083,058	1,083,058	1,221,358	138,300
Exceptional instruction	95,358	95,358	45,669	(49,689)
Other instruction	12,000	12,000	-	(12,000)
Instructional support services	-	-	1,110	1,110
Instruction and curriculum development services	16,082	16,082	-	(16,082)
Instructional staff training services	4,200	4,200	1,371	(2,829)
Instruction-related technology	-	-	2,222	2,222
Board	15,900	15,900	15,501	(399)
General administration	40,174	40,174	37,323	(2,851)
School administration	330,347	330,347	309,382	(20,965)
Facilities acquisition and construction	-	-	12,138	12,138
Fiscal services	22,790	22,790	31,896	9,106
Food services	21,798	21,798	1,975	(19,823)
Central services	800	800	2,058	1,258
Pupil transportation	37,156	37,156	34,227	(2,929)
Operation of plant	248,693	248,693	243,984	(4,709)
Maintenance of plant	69,500	69,500	45,177	(24,323)
Administrative technology	53,161	53,161	45,554	(7,607)
Community services	136,718	136,718	22,715	(114,003)
Capital Outlay	-	-	-	-
Debt service	15,092	15,092	31,043	15,951
Total expenses	<u>2,202,827</u>	<u>2,202,827</u>	<u>2,104,703</u>	<u>(98,124)</u>
Excess (deficit) of revenues over expenditures	<u>74,141</u>	<u>74,141</u>	<u>171,288</u>	<u>97,147</u>
Net change in fund balance	<u>\$ 74,141</u>	<u>\$ 74,141</u>	<u>\$ 171,288</u>	<u>\$ 97,147</u>

Notes to Required Supplementary Information:

Budgets are presented on the modified accrual basis of accounting. All annual appropriations lapse at fiscal year end. Budgets may be amended by resolution at any board meeting prior to the date for the annual report.

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

To the Board of Directors of
Sarasota Academy of the Arts, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sarasota Academy of the Arts, Inc. (the Charter School), a Charter School and component unit of the School Board of Sarasota County, as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated October 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sarasota Academy of the Arts, Inc.'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 Sarasota Academy of the Arts, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Sarasota Academy of the Arts, Inc.'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 Sarasota Academy of the Arts, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Pellegrino & McFarland, P.A.

Sarasota, Florida
October 28, 2020

MANAGEMENT LETTER

To the Board of Directors
Sarasota Academy of the Arts, Inc.

Report on the Financial Statements

We have audited the financial statements of Sarasota Academy of the Arts, Inc. (the Charter School), a Charter School and component unit of the School Board of Sarasota County, as of and for the year ended June 30, 2020, and have issued our report thereon dated October 28, 2020.

Auditors' 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 10.800, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated October 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, as noted below under the heading *Status of Prior Year Findings and Recommendations and Current Year Findings and Recommendations*.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, required the name or official title of the entity. The official title of the entity is Sarasota Academy of the Arts, Inc.

Financial Condition

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we report the results of our determination as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Sarasota Academy of the Arts, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the school maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Sarasota Academy of the Arts, Inc. maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Other 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, matters required to be disclosed are included under the heading *Status of Prior Year Findings and Recommendations* and *Current Year Findings and 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 abuses 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 School Board of Sarasota County, Florida, and it is not intended to be and should not be used by anyone other than these specified parties.

Pellegrino & McFarland, P.A.

Sarasota, Florida
October 28, 2020

Status of Prior Year Findings and Recommendations

Finding 2019-01: During the prior year audit, it was noted that the Charter School was in violation of the loan covenants with Bank OZK.

Recommendation: We recommended that the Charter School review the loan covenants on a periodic basis and communicate with Bank OZK accordingly.

Comment no longer applicable.

Finding 2019-02: During the prior year audit, it was noted that several employees were compensated for services outside their normal job responsibilities. These payments were not processed through payroll.

Recommendation: We recommended that the Charter School review all payments to employees to ensure proper recording and payroll compliance.

Comment no longer applicable.

Finding 2019-03: During the prior year audit, it was discovered that monies received for the Fiduciary Fund were not deposited into the appropriate bank account, but were instead deposited into the Charter School's bank account and were recorded as revenue in the General Fund.

Recommendation: We recommended that the Charter School establish a policy to ensure proper receipt and recognition of monies for the Fiduciary fund.

Comment no longer applicable.

Current Year Findings and Recommendations

There were no current year findings or recommendations.