

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

**Basic Financial Statements and
Supplementary Information**

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Bay Academy, Inc. (the "School") a component unit of the School Board of Brevard County, Florida (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2021 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

August 31, 2021
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of Palm Bay Academy, Inc. (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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

Financial Highlights

- The liabilities of the School exceeded its assets and deferred outflows resulting in a net deficit, at the close of the fiscal year of \$2,789,038.
- The School's total net position increased by \$634,769.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$2,623,488.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$853,486.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the School's assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed on the table of contents of this report.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. As of June 30, 2021 and 2020, liabilities exceeded assets and deferred outflows by \$2,789,038 and \$3,423,807 (net deficits), respectively.

The largest portion of the School's net position reflects its net investment in capital assets (e.g., land, buildings and fixed equipment, improvements other than buildings, equipment, furniture and fixtures, educational materials, and motor vehicles), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2021, the net investment in capital assets totaled negative \$3,275,356. The negative amount is due to the capital assets depreciating more rapidly than the reduction in debt.

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

	Governmental Activities		
	2021	2020	Variance
ASSETS			
Current assets	\$ 3,316,883	\$ 2,396,341	\$ 920,542
Capital assets, net of accumulated depreciation	<u>7,033,249</u>	<u>7,303,137</u>	<u>(269,888)</u>
Total assets	<u>10,350,132</u>	<u>9,699,478</u>	<u>650,654</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>2,314,125</u>	<u>2,462,625</u>	<u>(148,500)</u>
LIABILITIES			
Current liabilities	978,395	975,910	2,485
Long-term liabilities outstanding	<u>14,474,900</u>	<u>14,610,000</u>	<u>(135,100)</u>
Total liabilities	<u>15,453,295</u>	<u>15,585,910</u>	<u>(132,615)</u>
NET POSITION			
Net investment in capital assets	(3,275,356)	(3,101,479)	(173,877)
Restricted	1,761,810	1,803,233	(41,423)
Unrestricted	<u>(1,275,492)</u>	<u>(2,125,561)</u>	<u>850,069</u>
Total net position	<u>\$ (2,789,038)</u>	<u>\$ (3,423,807)</u>	<u>\$ 634,769</u>

Current assets increased primarily due to the timing of cash receipts and cash received from the second Paycheck Protection Program loan of \$425,245. Capital assets decreased primarily because of depreciation expense. Total liabilities decreased primarily due to the school paying off the Line of Credit and the first round of the Paycheck Protection Program proceeds forgiven during fiscal year 2021.

	Governmental Activities		
	2021	2020	Variance
Revenues			
Program revenues			
Charges for services	\$ -	\$ 2,582	\$ (2,582)
Operating grants and contributions	569,862	696,216	(126,354)
General revenues			
State passed through school district	4,066,527	3,279,826	786,701
Other revenues	487,545	67,677	419,868
Total revenues	<u>5,123,934</u>	<u>4,046,301</u>	<u>1,077,633</u>
Expenses			
Basic instruction	1,766,194	2,000,722	(234,528)
Exceptional instruction	132,097	110,824	21,273
Athletic program	93	192	(99)
Media services	24,362	9,481	14,881
Curriculum development	5,331	69	5,262
Instructional staff training	970	16,615	(15,645)
Board of directors	24,621	22,616	2,005
School administration	772,578	751,960	20,618
Facilities	261,746	261,917	(171)
Fiscal services	83,750	145,762	(62,012)
Food services	231,645	317,925	(86,280)
Information services	4,389	10,004	(5,615)
Internal services	51,742	996	50,746
Transportation	149,606	134,204	15,402
Operation of plant	270,321	223,802	46,519
Maintenance of plant	25,926	87,088	(61,162)
Interest and amortization expense	683,794	677,794	6,000
Total expenses	<u>4,489,165</u>	<u>4,771,971</u>	<u>(282,806)</u>
Change in net position	634,769	(725,670)	1,360,439
Net position - beginning	<u>(3,423,807)</u>	<u>(2,698,137)</u>	<u>(725,670)</u>
Net position - ending	<u>\$ (2,789,038)</u>	<u>\$ (3,423,807)</u>	<u>\$ 634,769</u>

State revenues that were passed through the school district increased primarily due to the 2020-2021 Teacher Salary Increase Stipend, the Sales Surtax Stipend and the increase in base funding. Other revenue increased primarily due to the forgiveness of the first PPP Loan in the amount of \$495,325. Basic instruction decreased because of reduction in payroll and related costs. Fiscal services decreased because the protective services provided by the school was reduced. Operation of plant increased because of increase of utilities due to school reopening during the COVID-19 pandemic. Food services decreased due to reduced enrollment. Maintenance of plant decreased due to the School no longer renting from Space Coast Montessori for \$8,479 monthly.

Financial Analysis of the Government's Funds

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

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

As of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$2,623,488.

The general fund is the main operating fund of the School. At the end of the current fiscal year, the unassigned fund balance of the general fund was positive \$853,486.

The fund balance of the School's general fund increased by \$1,194,432 during the current fiscal year.

Budgetary Highlights

Actual general fund revenues were more than the budgeted revenues by \$1,894,995 due primarily to the 2020-2021 Teacher Salary Increase Stipend, the Sales Surtax Stipend and the increase in base funding. Actual general fund expenditures were more than budgeted expenditures.

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

Capital Asset and Debt Administration

Capital Assets. The School's investment in capital assets for its governmental type activities as of June 30, 2021, amounts to \$7,033,249 (net of related depreciation). The school made no new capital purchases in 2021. Additional information on the School's capital assets can be found in Note C.

Debt Administration. The School's long-term liabilities at June 30, 2021 totaled \$14,474,900. The School restructured its bonds in February 2017. The Series 2006 and Series 2007 Bonds were modified and reissued by the Florida Development Finance Corporation. Additional information on the School's long-term obligations can be found in Note D.

Economic factors. A majority of the School's funding is determined by the number of enrolled students. The greater Palm Bay, Florida area is seeing an increase in commercial and residential development. However, the COVID-19 pandemic has impacted the school's operations. The School operated as a C rated school during fiscal year 2021. The overall student population is forecasted to increase from 320 in fiscal year 2021 to 375 in fiscal year 2022.

Request for Information

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

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

STATEMENT OF NET POSITION

June 30, 2021

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,462,535
Due from other agencies	84,346
Deposits	8,192
Restricted cash for lunch program	59,540
Restricted cash with fiscal agent	1,702,270
Total current and other assets	3,316,883
CAPITAL ASSETS	
Capital assets not being depreciated:	
Land	1,711,383
Capital assets, net	
Buildings and fixed equipment	5,263,370
Improvements other than buildings	6,697
Equipment	50,455
Furniture and fixtures	228
Motor vehicles	1,116
Total capital assets	7,033,249
Total assets	10,350,132
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	2,314,125
LIABILITIES	
Accounts payable	5,232
Paycheck protection program payable	425,245
Accrued payroll	262,918
Long-term liabilities:	
Bonds payable portion due within one year	285,000
Economic injury disaster loan payable	149,900
Bonds payable portion due in more than one year	14,325,000
Total liabilities	15,453,295
NET POSITION	
Net investment in capital assets	(3,275,356)
Restricted for:	
Debt service	1,702,270
Lunch program	59,540
Unrestricted	(1,275,492)
Total net position	\$ (2,789,038)

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

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

STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 1,766,194	\$ -	\$ 324,956	\$ -	\$ (1,441,238)
Exceptional instruction	132,097	-	-	-	(132,097)
Athletic program	93	-	-	-	(93)
Media services	24,362	-	-	-	(24,362)
Curriculum development	5,331	-	-	-	(5,331)
Instructional staff training	970	-	-	-	(970)
Board of directors	24,621	-	-	-	(24,621)
School administration	772,578	-	-	-	(772,578)
Facilities	261,746	-	-	-	(261,746)
Fiscal services	83,750	-	-	-	(83,750)
Food services	231,645	-	244,906	-	13,261
Information services	4,389	-	-	-	(4,389)
Internal services	51,742	-	-	-	(51,742)
Transportation	149,606	-	-	-	(149,606)
Operation of plant	270,321	-	-	-	(270,321)
Maintenance of plant	25,926	-	-	-	(25,926)
Interest and amortization expense	683,794	-	-	-	(683,794)
Total governmental activities	<u>\$ 4,489,165</u>	<u>\$ -</u>	<u>\$ 569,862</u>	<u>\$ -</u>	<u>(3,919,303)</u>
General revenues:					
State passed through school district					4,066,527
Other revenues					487,545
Total general revenues					<u>4,554,072</u>
Change in net position					634,769
Net position at the beginning of the year					<u>(3,423,807)</u>
Net position at the end of the year					<u>\$ (2,789,038)</u>

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

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021

	General Fund	Debt Service Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 1,462,535	\$ -	\$ 59,540	\$ 1,522,075
Due from other funds	1,702,270	-	-	1,702,270
Due from other agencies	84,346	-	-	84,346
Deposits	8,192	-	-	8,192
Restricted cash with fiscal agent	-	1,702,270	-	1,702,270
	\$ 3,257,343	\$ 1,702,270	\$ 59,540	\$ 5,019,153
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 5,232	\$ -	\$ -	\$ 5,232
Paycheck protection program payable	425,245	-	-	425,245
Accrued payroll	262,918	-	-	262,918
Due to other funds	-	1,702,270	-	1,702,270
	693,395	1,702,270	-	2,395,665
FUND BALANCES				
Nonspendable - Deposits	8,192	-	-	8,192
Restricted:				
Debt service	1,702,270	-	-	1,702,270
Lunch program	-	-	59,540	59,540
Unassigned	853,486	-	-	853,486
	2,563,948	-	59,540	2,623,488
Total fund balances	2,563,948	-	59,540	2,623,488
Total liabilities and fund balances	\$ 3,257,343	\$ 1,702,270	\$ 59,540	\$ 5,019,153

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

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

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

June 30, 2021

Fund balances - total governmental funds	\$	2,623,488
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The net position reported for governmental activities in the statement of net position is different because:

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

Land	\$	1,711,383	
Buildings and fixed equipment, net		5,263,370	
Improvements other than buildings, net		6,697	
Equipment, net		50,455	
Furniture and fixtures, net		228	
Motor vehicles, net		<u>1,116</u>	
Total capital assets			7,033,249

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

Deferred charge on refunding		2,314,125
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Economic injury disaster loan payable		(149,900)
Bonds payable		<u>(14,610,000)</u>

Total net position of governmental activities	\$	<u><u>(2,789,038)</u></u>
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The accompanying notes are an integral part of this financial statement.

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

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

For the year ended June 30, 2021

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Revenues				
Federal passed through state	\$ -	\$ -	\$ 244,906	\$ 244,906
Federal passed through school district	-	-	324,956	324,956
State passed through school district	3,848,014	218,513	-	4,066,527
Other revenues	487,545	-	-	487,545
Total revenues	<u>4,335,559</u>	<u>218,513</u>	<u>569,862</u>	<u>5,123,934</u>
Expenditures				
Current				
Basic instruction	1,476,555	-	289,639	1,766,194
Exceptional instruction	132,097	-	-	132,097
Athletic program	93	-	-	93
Media services	147,304	-	-	147,304
Curriculum development	5,331	-	-	5,331
Instructional staff training	586	-	384	970
Board of Directors	24,621	-	-	24,621
School administration	619,815	-	19,185	639,000
Fiscal services	86,244	-	-	86,244
Food services	264	-	231,381	231,645
Information services	4,389	-	-	4,389
Internal services	51,742	-	-	51,742
Transportation	149,606	-	-	149,606
Operation of plant	270,321	-	-	270,321
Maintenance of plant	25,926	-	-	25,926
Debt service				
Interest	-	535,294	-	535,294
Total expenditures	<u>2,994,894</u>	<u>535,294</u>	<u>540,589</u>	<u>4,070,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,340,665</u>	<u>(316,781)</u>	<u>29,273</u>	<u>1,053,157</u>
Other financing sources and (uses)				
Economic injury disaster loan reclass	149,900	-	-	149,900
Transfer in	66,663	316,781	46,015	429,459
Transfer out	(362,796)	-	(66,663)	(429,459)
Total other financing sources and (uses)	<u>(146,233)</u>	<u>316,781</u>	<u>(20,648)</u>	<u>149,900</u>
Net change in fund balances	<u>1,194,432</u>	<u>-</u>	<u>8,625</u>	<u>1,203,057</u>
Fund balances at the beginning of the year	<u>1,369,516</u>	<u>-</u>	<u>50,915</u>	<u>1,420,431</u>
Fund balances at the end of the year	<u>\$ 2,563,948</u>	<u>\$ -</u>	<u>\$ 59,540</u>	<u>\$ 2,623,488</u>

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

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

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

For the year ended June 30, 2021

Net change in fund balances - total government funds	\$ 1,203,057
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(269,888)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Economic injury disaster loan reclass	(149,900)
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Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in the funds.

Amortization of deferred charge on refunding	<u>(148,500)</u>
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Change in net position of governmental activities	<u><u>\$ 634,769</u></u>
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The accompanying notes are an integral part of this financial statement.

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Palm Bay Academy, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors, which is composed of five members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School Board of Brevard County, Florida (the "District"). The current charter was renewed on April 23, 2013 and will expire on June 30, 2027. Palm Bay Academy, Inc. is considered a component unit of the School Board of Brevard County, Florida.

2. Government-wide and fund financial statements

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

4. Cash and cash equivalents

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

5. Receivables

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

6. Interfund receivables and payables

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Capital assets

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

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

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

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

8. Deferred outflows of resources

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

9. Long-term obligations

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District.

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

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

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

11. Income taxes

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Use of estimates

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

13. Fund balance classification

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Impact of recently issued accounting principles

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

NOTE B - CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The deposits are insured by the FDIC up to \$250,000 per financial institution. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes. As of June 30, 2021, none of the School's funds held in banks were exposed to custodial credit risk.

Credit Risk - Credit risk arises from the potential default of investments that are not financially sound. In connection with the issuance of debt discussed in Note D, the School was required to deposit part of the proceeds and other required deposits with the trustee. At June 30, 2021, the trustee held \$1,702,270 of unspent bond proceeds and reserve funds in money market accounts. The deposits are restricted for debt payments. The trust indenture addresses credit risk by only permitting the trustee to invest in qualified investments as defined in the indenture.

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE C - CAPITAL ASSETS

Changes in capital assets are as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets not depreciated:				
Land	\$ 1,711,383	\$ -	\$ -	\$ 1,711,383
Capital assets depreciated:				
Buildings and fixed equipment	8,739,837	-	-	8,739,837
Improvements other than buildings	110,108	-	-	110,108
Equipment	529,249	-	-	529,249
Furniture and fixtures	102,769	-	-	102,769
Educational materials	20,134	-	-	20,134
Motor vehicles	23,168	-	-	23,168
Total assets depreciated	<u>9,525,265</u>	<u>-</u>	<u>-</u>	<u>9,525,265</u>
Less accumulated depreciation:				
Buildings and fixed equipment	3,238,258	238,209	-	3,476,467
Improvements other than buildings	99,462	3,949	-	103,411
Equipment	452,323	26,471	-	478,794
Furniture and fixtures	102,026	515	-	102,541
Educational materials	20,134	-	-	20,134
Motor vehicles	21,308	744	-	22,052
Total accumulated depreciation	<u>3,933,511</u>	<u>269,888</u>	<u>-</u>	<u>4,203,399</u>
Total governmental activities capital assets, net	<u>\$ 7,303,137</u>	<u>\$ (269,888)</u>	<u>\$ -</u>	<u>\$ 7,033,249</u>

Depreciation expense for the year ended June 30, 2021 was charged to functions of the School as follows:

School administration	\$ 10,635
Facilities	<u>259,253</u>
	<u>\$ 269,888</u>

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE D - LONG-TERM LIABILITIES

1. Changes in long-term liabilities

Changes in long-term liabilities are as follows:

	Balance at July 1, 2020	Additions	Reductions	Balance at June 30, 2021	Due within one year
Series 2017A	\$ 7,265,000	\$ -	\$ -	\$ 7,265,000	\$ 285,000
Series 2017B	735,000	-	-	735,000	-
Series 2017C	3,290,000	-	-	3,290,000	-
Series 2017D	350,000	-	-	350,000	-
Series 2017E	2,610,000	-	-	2,610,000	-
Series 2017F	360,000	-	-	360,000	-
Total bond payable	14,610,000	-	-	14,610,000	285,000
Economic injury disaster loan	149,900	-	-	149,900	-
	<u>\$ 14,759,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,759,900</u>	<u>\$ 285,000</u>

2. Bonds payable

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

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

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

This agreement further requires the School to meet certain additional conditions. The School shall maintain cash on hand June 30 equal to at least 60 days as measured on June 30, 2021 and the last day of each fiscal quarter thereafter.

On a quarterly basis, the School shall report a Debt Service Coverage Ratio based on the immediate prior four fiscal quarters of no less than 1.00. As of June 30, 2021, the School was in compliance with the Debt Service Coverage Ratios.

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE D - LONG-TERM LIABILITIES (continued)

2. Bonds payable (continued)

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

	Principal	Interest	Total
2022	\$ 285,000	\$ 529,294	\$ 814,294
2023	310,000	503,644	813,644
2024	340,000	475,744	815,744
2025	365,000	450,394	815,394
2026	390,000	427,125	817,125
2027-2031	2,350,000	1,729,856	4,079,856
2032-2036	3,195,000	879,431	4,074,431
2037	765,000	48,769	813,769
	\$ 8,000,000	\$ 5,044,257	\$ 13,044,257

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

	Principal	Interest	Total
2022-2036	\$ -	\$ -	\$ -
2037	3,640,000	3,752,445	7,392,445
	\$ 3,640,000	\$ 3,752,445	\$ 7,392,445

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

	Principal	Interest	Total
2022-2036	\$ -	\$ -	\$ -
2037	2,970,000	-	2,970,000
	\$ 2,970,000	\$ -	\$ 2,970,000

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE D - LONG-TERM LIABILITIES (continued)

3. Economic injury disaster loan

During the year ending June 30, 2020, the School obtained an Economic Injury Disaster Loan for \$150,000 from the Small Business Administrations (SBA) for working capital to alleviate economic injury caused by COVID-19. The loan bears interest at 2.75%, and is payable in monthly installments of \$641 that will begin twenty-four months from the date of the promissory note, dated June 23, 2020, and matures in June 2050. The SBA loan is secured by all the tangible and intangible property of the School. As of June 30, 2021, the remaining balance of the EIDL loan was \$149,900.

	Principal	Interest	Total
2022	\$ -	\$ -	\$ -
2023	3,615	4,077	7,692
2024	3,716	3,976	7,692
2025	3,819	3,873	7,692
2026	3,926	3,766	7,692
2027-2031	21,330	17,130	38,460
2032-2036	24,470	13,990	38,460
2037-2041	28,073	10,387	38,460
2042-2046	32,206	6,254	38,460
2047-2050	28,745	1,622	30,367
	\$ 149,900	\$ 65,075	\$ 214,975

NOTE E - INTERFUND ACTIVITY

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

Due to/from activities are as follows:

	Due from other funds	Due to other funds
General fund	\$ 1,702,270	\$ -
Debt service fund	-	1,702,270
	\$ 1,702,270	\$ 1,702,270

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE E - INTERFUND ACTIVITY (continued)

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

Transfer activities are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 66,663	\$ 362,796
Debt service fund	316,781	-
Other governmental funds	46,015	66,663
	<u>\$ 429,459</u>	<u>\$ 429,459</u>

NOTE F - COMMITMENTS AND CONTINGENCIES

1. Legal contingencies

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

2. COVID 19

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

3. Line of Credit

The School maintains a revolving line of credit with Wells Fargo where it may borrow up to \$76,000 of which all was available as of June 30, 2021. Interest is payable monthly and accrues at a daily charge rate of 0.02739%. As of June 30, 2021, there was no outstanding balance.

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE F - COMMITMENTS AND CONTINGENCIES (continued)

4. Paycheck Protection Program

On May 4, 2020, the School received loan proceeds in the amount of \$495,325 under the Paycheck Protection Program ("PPP"). The School received forgiveness for the first PPP in the amount of \$495,325 in May of 2021. On January 25, 2021, the School received a secondary PPP loan in the amount of \$425,245. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The School used the proceeds for purposes consistent with the PPP. The second round of funding was forgiven after year-end (see Note I).

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE G - CONCENTRATIONS

Revenue sources

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

Sources	Amounts
School Board of Brevard County, Florida	
Base funding	\$ 2,533,236
Class size reduction	622,523
Discretionary millage	162,449
Supplemental academic instruction funds	92,056
Teacher salary increase allocation	82,244
ESE guaranteed allocation	84,317
Discretionary compression	33,910
Instructional materials allocation	24,259
Safe schools	30,185
Transportation	75,793
Florida teachers lead	433
Mental health allocation	11,741
Library media allocation	1,614
Digital classroom	563
Funding compression allocation	3,972
Proration	(3,586)
Capital outlay	218,513
Reading coaches	14,404
Local sales surtax	77,901
Total State passed through School Board of Brevard County, Florida	4,066,527
Title 1 funding	324,956
Total School Board of Brevard County, Florida	4,391,483
National school lunch program	244,906
Other revenues	487,545
Total revenues	\$ 5,123,934

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE H - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the property insurance policy, the School's liability is \$2,500 per deductible. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years. There have been no significant reductions in insurance coverage during fiscal year 2021.

NOTE I - SUBSEQUENT EVENTS

The School has evaluated subsequent events through August 31, 2021, the date which the financial statements were available for issuance.

On August 6, 2021, the School received forgiveness of the Paycheck Protection Program advance of \$425,245. No other material events occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

For the year ended June 30, 2021

	Final	Actual	Variance with Budget
Revenues			
State passed through school district	\$ 2,434,614	\$ 3,848,014	\$ 1,413,400
Other revenues	5,950	487,545	481,595
Total revenues	<u>2,440,564</u>	<u>4,335,559</u>	<u>1,894,995</u>
Expenditures			
Current			
Basic instruction	1,390,650	1,476,555	(85,905)
Exceptional instruction	-	132,097	(132,097)
Athletic program	-	93	(93)
Media services	10,000	147,304	(137,304)
Curriculum development	-	5,331	(5,331)
Instructional staff training	1,800	586	1,214
Board of directors	15,000	24,621	(9,621)
School administration	321,095	619,815	(298,720)
Fiscal services	88,150	86,244	1,906
Food services	-	264	(264)
Information services	5,000	4,389	611
Internal services	1,185	51,742	(50,557)
Transportation	150,000	149,606	394
Operation of plant	250,500	270,321	(19,821)
Maintenance of plant	19,350	25,926	(6,576)
Total expenditures	<u>2,252,730</u>	<u>2,994,894</u>	<u>(742,164)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>187,834</u>	<u>1,340,665</u>	<u>1,152,831</u>
Other financing uses			
Proceeds from long-term debt	-	149,900	(149,900)
Transfer in	-	66,663	(66,663)
Transfer out	-	(362,796)	(362,796)
Total other financing uses	<u>-</u>	<u>(146,233)</u>	<u>(579,359)</u>
Net change in fund balances	187,834	1,194,432	573,472
Fund balances at the beginning of the year	<u>1,369,516</u>	<u>1,369,516</u>	<u>-</u>
Fund balances at the end of the year	<u>\$ 1,557,350</u>	<u>\$ 2,563,948</u>	<u>\$ 573,472</u>

See accompanying note to required supplementary information.

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2021

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general fund and major special revenue fund and may be amended by the Board of Directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2021, have been amended according to Board procedures.

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Bay Academy, Inc. (the "School") a component unit of the School Board of Brevard County, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 31, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) 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 statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

August 31, 2021
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Palm Bay Academy, Inc. (the “School”), a component unit of the School Board of Brevard County, Florida, as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated August 31, 2021.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated August 31, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings and Recommendations

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding annual financial audit report.

Official Title

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

Financial Condition and Management

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

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter

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

August 31, 2021
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP