



Pinecrest Preparatory Charter School (Orlando Campus)  
(A charter school under Pinecrest Academy, Inc.  
and a component unit of the School District of Orange County)  
WL# 0155

Orlando, Florida

Financial Statements and  
Independent Auditors' Report  
June 30, 2022

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Pinecrest Preparatory Charter School (Orlando Campus)  
(A charter school under Pinecrest Academy, Inc.)  
WL# 0155

8503 Daetwyler Drive  
Orlando, Florida 32827

2021-2022

BOARD OF DIRECTORS

Carlos Alvarez, Chair and President, Director  
Shannie Sadesky, Director  
Juan Molina, Secretary, Director  
Erin Demirjian, Director  
Carlos Coello, Director  
Albert Maillo, Director  
Sheila Gonzalez, Director

SCHOOL ADMINISTRATION

Desiree Lumpuy, Principal



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Pinecrest Preparatory Charter School (Orlando Campus)  
Orlando, Florida

### *Opinions*

We have audited the accompanying financial statements of the governmental activities and each major fund of Pinecrest Preparatory Charter School (Orlando Campus) (the “School”), a charter school under Pinecrest Academy, Inc., which is a component unit of the School District of Orange County, as of, and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Pinecrest Preparatory Charter School (Orlando Campus) as of June 30, 2022, 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.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pinecrest Academy, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pinecrest Preparatory Charter School (Orlando Campus)’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Emphasis of a Matter – Presentation***

As described in Note 1, the accompanying financial statements referred to above present only the financial position and change in financial position of Pinecrest Preparatory Charter School (Orlando Campus) Pinecrest Preparatory Charter School (Orlando Campus) that is attributable to the transactions of the School and is not intended to be a complete presentation of Pinecrest Academy, Inc. Pinecrest Academy, Inc. These financial statements do not purport to, and do not, present fairly the financial position of Pinecrest Academy, Inc. as of June 30, 2022 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Emphasis of a Matter – Change in Accounting Principle***

As described in Note 6 to the financial statements, in 2022, the School adopted new accounting guidance, GASB Statement No, 87, Leases. Our opinion is not modified with respect to this matter.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 5 through 9 and 30 through 31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School’s internal control over financial reporting and compliance.



Coral Gables, Florida  
September 30, 2022

CERTIFIED PUBLIC ACCOUNTANTS

**Management’s Discussion and Analysis**  
Pinecrest Preparatory Charter School (Orlando Campus)  
(A Charter School under Pinecrest Academy, Inc.)  
June 30, 2022

The corporate officers of Pinecrest Preparatory Charter School (Orlando Campus) (the “School”) have prepared this narrative overview and analysis of the School’s financial activities for the fiscal year ended June 30, 2022.

**Financial Highlights**

1. The net position of the School at June 30, 2022 was \$980,386.
2. At year-end, the School had current assets on hand of \$367,786.
3. The School had a decrease in its net position of \$(20,980) for the year ended June 30, 2022.
4. The unassigned fund balance at year end was \$226,408.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School’s special purpose financial statements. The School’s financial statements for the year ended June 30, 2022 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the special purpose 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 and deferred outflows of resources and liabilities and deferred inflows of resources. The difference between the four is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

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

The government-wide financial statements can be found on pages 10 - 11 of this report.

Fund Financial Statements

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

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

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

The special purpose governmental fund financial statements can be found on pages 12 – 15 of this report.

*Notes to Financial Statements*

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

The notes to the financial statements can be found on pages 16 - 29 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net position was \$980,386 at the close of the fiscal year. A summary of the School's net position as of June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 23,128	\$ 36,655
Investments	320,000	390,000
Prepaid expenses and other current assets	395	84,342
Due from other agencies	24,263	83,277
Deposits receivable	12,232	12,232
Due from other divisions of Pinecrest Academy, Inc.	600,000	400,000
Capital and right-of-use assets, net	<u>2,152,365</u>	<u>143,963</u>
<b>Total Assets</b>	<u>3,132,383</u>	<u>1,150,469</u>
<b>Deferred outflows of resources</b>	-	-
Salaries and wages payable	84,980	70,512
Accounts payable	46,679	78,591
Lease liability	<u>2,020,338</u>	-
<b>Total Liabilities</b>	<u>2,151,997</u>	<u>149,103</u>
<b>Deferred inflows of resources</b>	-	-
<b>Net Position:</b>		
Net investment in capital assets and long-term receivables	732,027	543,963
Unrestricted	<u>248,359</u>	<u>457,403</u>
<b>Total Net Position</b>	<u>\$ 980,386</u>	<u>\$ 1,001,366</u>



At the end of the both years, the School can report positive balances in its total net position.

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
<b>REVENUES</b>		
Program Revenues		
Capital grants and contributions	\$ 150,700	\$ 166,042
Federal sources	360,982	251,413
Lunch program	63,070	43,077
General Revenues		
Local sources (FTE and other non specific)	2,125,029	1,948,687
Other revenues	68,807	28,620
<b>Total Revenues</b>	<u>\$ 2,768,588</u>	<u>\$ 2,437,839</u>
<b>EXPENSES</b>		
Governmental Activities:		
Instruction	\$ 1,535,273	\$ 1,294,253
Student support services	57,592	4,400
Instructional staff training	18,489	17,195
Board	18,414	97,248
General administration	-	326,664
School administration	462,173	-
Fiscal services	40,575	35,550
Food services	125,483	81,716
Central services	56,157	52,897
Operation of plant	319,268	266,897
Maintenance of plant	105,012	96,733
Administrative technology services	-	1,231
Community services	51,132	15,203
<b>Total Expenses</b>	<u>2,789,568</u>	<u>2,289,987</u>
Change in Net Position	(20,980)	147,852
Net Position at Beginning of Year	<u>1,001,366</u>	<u>853,514</u>
Net Position at End of Year	<u>\$ 980,386</u>	<u>\$ 1,001,366</u>

The School's revenues and expenses increased by \$330,749 and \$499,581, respectively. The School had a decrease in its net position of \$(20,980) during the year.

### **Facility and School Location**

The School entered into a lease agreement for use of facility located at 8503 Daetwyler Drive Orlando, Florida 32827.

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

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

### **Governmental Funds**

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

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

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$226,803. The fund balance unassigned and available for spending at the School's discretion is \$226,408. These funds will be available for the School's future operations.

### **Capital Assets**

The School's investment in capital assets as of June 30, 2022 amounts to \$132,027 (net of accumulated depreciation) and right of use lease asset (building) \$2,020,338. This investment in capital assets includes building, leasehold improvements, textbooks, furniture, fixtures and computer equipment. As of June 30, 2022 the School had long term liabilities of \$2,020,338 associated to its capital assets.

### **Capital Improvement Requirements**

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

### **New Accounting Pronouncements Adopted**

As described in Note 6, the School adopted GASB Statement No, 87, Leases. The effect of the adoption was to capitalize a right of use asset (building) with a corresponding liability which is being amortized over the life of the underlying lease agreement. The overall impact on the financial statements was to record interest and amortization expense related to the underlying asset and liability which results in higher total expenses (compared to pre-adoption) during the early years of the lease agreement.

## Governmental Fund Budget Analysis and Highlights

Prior to the start of the School’s fiscal year, the Board of the School adopted an annual budget. A budgetary comparison statement has been provided for total governmental funds (both general fund and special revenue funds) to demonstrate compliance with the School’s budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Program Revenues			
State capital outlay	\$ 151,540	\$ 151,540	\$ 150,700
Federal sources	417,017	429,018	444,259
Lunch program	44,952	60,275	63,070
General Revenues			
FTE nonspecific revenues	2,091,995	2,100,944	2,125,029
Charges and other revenues	46,983	64,966	68,807
Total Revenues	<u>\$ 2,752,487</u>	<u>\$ 2,806,743</u>	<u>\$ 2,851,865</u>
<b>CURRENT EXPENDITURES</b>			
Component Unit Activities			
Instruction	\$ 1,591,182	\$ 1,537,794	\$ 1,501,486
Student support services	65,952	61,048	57,592
Instructional staff training	24,510	20,285	18,489
Board	20,456	18,654	18,414
School administration	447,449	462,967	461,672
Food services	133,145	127,621	125,050
Fiscal services	38,625	42,531	40,575
Central services	56,625	56,157	56,157
Operation of plant	314,391	312,327	306,496
Maintenance of plant	107,331	104,212	96,855
Community services	55,002	54,290	51,132
Total Current Expenditures	<u>\$ 2,854,668</u>	<u>\$ 2,797,886</u>	<u>\$ 2,733,918</u>

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

### Requests for Information

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

Pinecrest Preparatory Charter School (Orlando Campus)  
(A charter school under Pinecrest Academy, Inc.)

Statement of Net Position  
June 30, 2022

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 23,128
Investments	320,000
Prepaid expenses and other current assets	395
Due from other agencies	24,263
Total Current Assets	<u>367,786</u>
Deposits receivable	12,232
Due from other divisions of Pinecrest Academy, Inc.	600,000
Capital assets, net:	
Capital assets, depreciable	317,917
Less: accumulated depreciation	(185,890)
Right-of-use lease asset	2,020,338
Total Capital Assets, Net	<u>2,152,365</u>
Total Assets	<u>3,132,383</u>
 <u>Deferred Outflows of Resources</u>	 <u>-</u>
 <u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	84,980
Accounts payable	46,679
Lease liability, current	60,354
Total Current Liabilities	<u>192,013</u>
Lease liability	1,959,984
Total Liabilities	<u>2,151,997</u>
 <u>Deferred Inflows of Resources</u>	 <u>-</u>
 <b>Net Position:</b>	
Net investment in capital assets and long-term receivables	732,027
Unrestricted	248,359
Total Net Position	<u>\$ 980,386</u>

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

Pinecrest Preparatory Charter School (Orlando Campus)  
(A charter school under Pinecrest Academy, Inc.)

Statement of Activities  
For the year ended June 30, 2022

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 1,535,273	\$ -	\$ 322,223	\$ -	\$ (1,213,050)
Student support services	57,592	-	-	-	(57,592)
Instructional staff training	18,489	-	-	-	(18,489)
Board	18,414	-	-	-	(18,414)
School administration	462,173	-	1,069	-	(461,104)
Fiscal services	40,575	-	-	-	(40,575)
Food services	125,483	8,006	55,064	-	(62,413)
Central services	56,157	-	-	-	(56,157)
Operation of plant	319,268	-	-	150,700	(168,568)
Maintenance of plant	105,012	-	37,690	-	(67,322)
Community services	51,132	56,983	-	-	5,851
<b>Total governmental activities</b>	<b>2,789,568</b>	<b>64,989</b>	<b>416,046</b>	<b>150,700</b>	<b>(2,157,833)</b>
General revenues:					
FTE and other nonspecific revenues					2,125,029
Interest and other revenues					11,824
Change in net position					(20,980)
Net position, beginning					1,001,366
Net position, ending					\$ 980,386

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

Pinecrest Preparatory Charter School (Orlando Campus)  
(A charter school under Pinecrest Academy, Inc.)

Balance Sheet - Governmental Funds  
June 30, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
<b><u>Assets</u></b>			
Cash	\$ 13,804	\$ 9,324	\$ 23,128
Investments	320,000	-	320,000
Due from other agencies	-	24,263	24,263
Due from other fund	24,263	-	24,263
Prepaid expenses and other current assets	395	-	395
Total Assets	<u>358,462</u>	<u>33,587</u>	<u>392,049</u>
<b>Deferred Outflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Liabilities</u></b>			
Salaries and wages payable	84,980	-	84,980
Accounts payable	46,679	-	46,679
Due to other fund	-	24,263	24,263
Total Liabilities	<u>131,659</u>	<u>24,263</u>	<u>155,922</u>
<b>Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Fund balance</u></b>			
Nonspendable, not in spendable form	395	-	395
Assigned	-	9,324	9,324
Unassigned	226,408	-	226,408
	<u>226,803</u>	<u>9,324</u>	<u>236,127</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 358,462</u>	<u>\$ 33,587</u>	<u>\$ 392,049</u>

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

Pinecrest Preparatory Charter School (Orlando Campus)  
(A charter school under Pinecrest Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
June 30, 2022

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Total Fund Balance - Governmental Funds \$ 236,127

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

Depreciable and non-depreciable capital assets net of accumulated depreciation and amortization used in governmental activities are not financial resources and therefore are not reported in the fund.

Capital assets, depreciable	317,917	
Less: accumulated depreciation	(185,890)	
Right-of-use lease asset	<u>2,020,338</u>	2,152,365

Long term deposits receivable used in governmental activities are not financial resources and therefore are not reported in the fund. 12,232

Long term liabilities in governmental activities are not due and payable in the current period and therefore, are not reported in the governmental funds. (2,020,338)

Long term receivables in governmental activities are not financial resources and therefore are not reported in the governmental funds. 600,000

Total Net Position - Governmental Activities \$ 980,386

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

Pinecrest Preparatory Charter School (Orlando Campus)  
(A charter school under Pinecrest Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  
For the year ended June 30, 2022

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds
<b>Revenues:</b>				
State capital outlay funding	\$ -	\$ -	\$ 150,700	\$ 150,700
State passed through local	2,125,029	-	-	2,125,029
Federal sources	-	444,259	-	444,259
Lunch program	-	63,070	-	63,070
Charges and other revenues	11,824	56,983	-	68,807
Total Revenues	2,136,853	564,312	150,700	2,851,865
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	1,179,263	322,223	-	1,501,486
Student support services	57,592	-	-	57,592
Instructional staff training	18,489	-	-	18,489
Board	18,414	-	-	18,414
School administration	460,603	1,069	-	461,672
Fiscal services	40,575	-	-	40,575
Food services	-	125,050	-	125,050
Central services	56,157	-	-	56,157
Operation of plant	155,796	-	150,700	306,496
Maintenance of plant	59,165	37,690	-	96,855
Community services	-	51,132	-	51,132
<b>Capital Outlay:</b>				
Right-of-use lease asset (building)	-	-	2,020,338	2,020,338
Other capital outlay	43,714	-	-	43,714
Total Expenditures	2,089,768	537,164	2,171,038	4,797,970
Excess (deficit) of revenues over expenditures	47,085	27,148	(2,020,338)	(1,946,105)
<b>Other financing sources (uses)</b>				
Transfers in (out)	21,297	(21,297)	-	-
Increase in lease liabilities	-	-	2,020,338	2,020,338
Advances to other divisions of Pinecrest, Inc.	(200,000)	-	-	(200,000)
Net change in fund balance	(131,618)	5,851	-	(125,767)
Fund Balance at beginning of year	358,421	3,473	-	361,894
Fund Balance at end of year	\$ 226,803	\$ 9,324	\$ -	\$ 236,127

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



Pinecrest Preparatory Charter School (Orlando Campus)  
 (A charter school under Pinecrest Academy, Inc.)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
 of Governmental Funds to the Statement of Activities

For the year ended June 30, 2022

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Net Change in Fund Balance - Governmental Funds \$ (125,767)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differed from depreciation expense.

Capital outlay	43,714	
Right of use lease asset capital outlay	2,020,338	
Depreciation and amortization expense	<u>(55,650)</u>	2,008,402

Increase in long term liabilities is revenue in the governmental funds, but a decrease or repayment of such payables reduces liabilities in the statement of net position. Decrease in long-term payables is an expenditure in governmental funds. (2,020,338)

Revenues are recognized using the full accrual basis of accounting in the government-wide statements. However, revenues are recognized when they are measurable and available in the governmental funds. (83,277)

Change in Net Position of Governmental Activities \$ (20,980)

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

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

### Reporting Entity

Pinecrest Preparatory Charter School (Orlando Campus) (the "School"), is a component unit of the school Board of Orange County, Florida (the "District"). The School's charter is held by Pinecrest Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The corporate board of the school is the Governing board of Pinecrest Academy, Inc., as established in its Bylaws. The board of directors of the School is the local governing board as established in the Bylaws of Pinecrest Academy, Inc. The duties of each are further defined in the charter contract. The board of directors of Pinecrest Academy, Inc. is composed of seven members that also govern other charter schools. The board of directors has determined that no component units exist that would require inclusion in the School's financial statements.

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

The School, serves students from kindergarten through eighth grades and is funded by the District. These financial statements are for the year ended June 30, 2022, when on average 270 students were enrolled for the school year.

### Basis of presentation

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

### Deferred Outflows/Inflows of Resources

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

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

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

Government-wide and Fund Financial Statements

*Government-wide Financial Statements*

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

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

*Fund Financial Statements*

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

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

*Special Revenue Fund* – accounts for specific revenues, such as federal funding, federal lunch program, and COVID-19 emergency relief funding that are legally restricted to expenditures for particular purposes. Also, accounts for resources of the School's Internal Fund, which is used to administer monies collected in connection with school, student athletics, class, and club activities.

*Capital Projects Funds* – accounts for state and local capital outlay as authorized by Charter School Capital Outlay, Section 1013.62, Florida Statutes mainly for capital outlay expenditures.

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

Measurement Focus and Basis of Accounting

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

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

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues and other miscellaneous sources.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Due from Other Governments or Agencies

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

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

### Budgets and Budgetary Accounting

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

### Inter-fund Transfers

Inter-fund receivables/payables (“due from/to”) are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

### Cash, Cash Equivalents and Investments

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

The School has not adopted a formal deposit and investment policy that limits the School’s allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School follows the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, GASB Statement No. 72, *Fair Value Measurement and Application*, and other related standards which establish accounting and financial reporting standards for all investments (see Note 2). Money market investment that have maturities of one year or less from the date of acquisition are reported at amortized cost rather than fair value. Amortized cost closely approximates fair value.

### Prepaid Expenses and Other Current Assets

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

### Capital Assets

The School’s property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with a cost of \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

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

Capital Assets (continued)

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the government wide statements. Proceeds received from the sale or disposal of capital assets are recorded as other financing sources in the governmental funds.

The right to use assets are initially measure at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease. Estimated useful lives, in years, for depreciable assets are as follows:

Right of Use Asset (building)	20 Years
Furniture, Equipment, and Computers	5 Years
Textbooks and Software	3 Years
Leasehold Improvements	5 Years

Long-Term Debt and Liabilities

In the government-wide financial statements, long-term debt and other long-term liabilities 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 debt issued as other financing sources.

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a “benefit year”). In the event that available time is not used by the end of the benefit year, employees may “rollover” all unused days for use in future benefit years. Employees may “cash out” unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days in order to cash out. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place.

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

Compensated Absences (continued)

Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefits years. The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Revenue Sources

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

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

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

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

### Net Position and Fund Balance Classifications

#### *Government-wide financial statements*

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

- a) Net investment in capital assets - consists of long term receivables and capital assets net of accumulated depreciation and long term debt, reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position – consists of balances with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net position - all other balances that do not meet the definition of "restricted" or "net investment in capital assets."

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

#### *Fund financial statements*

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

- a) Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with prepaid expenses. All nonspendable balances pertain to assets not in spendable form.
- b) Restricted – this classification includes fund balance category amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification that is intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned fund balances at year end pertain to the School's internal account.



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

Net Position and Fund Balance Classifications (continued)

- e) Unassigned – portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

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

Income Taxes

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

Use of Estimates

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

New Accounting Standard Adopted

In fiscal year 2022, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: Statement No. 87 Leases. See Note 6.

In fiscal year 2022, the School adopted GASB issued Statement No. 92, Omnibus. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021. These changes were incorporated in the School's 2022 financial statements and had no effect.

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

### Pronouncements Issued But Not Yet Effective

GASB has issued GASBS Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

### Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 30, 2022, which is the date the financial statements were available to be issued.

## **Note 2 – Cash, Cash Equivalents and Investments**

### Deposits

The School maintains its cash and cash equivalents in one financial institution.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Pinecrest Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Pinecrest Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2022, bank balances in potential excess of FDIC coverage was approximately \$23,054.

### Investments

The School follows the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

At June 30, 2022, the School had \$350,000 invested in a governmental money market mutual fund that is exempt from GASB 72 fair value hierarchy disclosures. The governmental money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of June 30, 2022, maturities of the fund's portfolio holdings are approximately 87% within 30 days.

Pinecrest Preparatory Charter School (Orlando Campus)  
(A Charter School under Pinecrest Academy, Inc.)  
Notes to Financial Statements  
June 30, 2022

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**Note 2 – Cash, Cash Equivalents and Investments (continued)**

Credit Risk

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

*Custodial credit risk* is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2022, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School. *Interest rate risk* is the risk that changes in interest rate will adversely affect the fair value of an investment. The School manages its exposure to declines in fair values by limiting all investments to government money market mutual funds that can be redeemed daily.

**Note 3 –Capital Assets**

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2022:

	Balance 07/01/21	Additions	Retirements/ Reclassifications	Balance 06/30/22
Capital Assets: non-depreciable				
Construction in progress	\$ 22,165	\$ 26,919	\$ (49,084)	\$ -
Capital Assets: depreciable				
Leasehold improvements	52,664	-	49,084	101,748
Audiovisual materials	52,743	-	-	52,743
Furniture, equipment and textbooks	163,224	16,795	(16,593)	163,426
Total Capital Assets	<u>290,796</u>	<u>43,714</u>	<u>(16,593)</u>	<u>317,917</u>
Less Accumulated Depreciation:				
Leasehold improvements	(30,708)	(14,623)	-	(45,331)
Audiovisual materials	(21,867)	(10,549)	-	(32,416)
Furniture, equipment and textbooks	(94,258)	(30,478)	16,593	(108,143)
Total Accumulated Depreciation	<u>(146,833)</u>	<u>(55,650)</u>	<u>16,593</u>	<u>(185,890)</u>
Total Capital Assets, being depreciated, net	\$ 143,963	\$ (11,936)	\$ -	# \$ 132,027
<b>Lease Assets:</b>				
Right of use lease asset (building)	\$ -	\$ 2,020,338	\$ -	\$ 2,020,338
Total Lease Assets being amortized, net	-	2,020,338	-	2,020,338
Capital Assets, net	<u>\$ 143,963</u>	<u>\$ 2,008,402</u>	<u>\$ -</u>	<u>\$ 2,152,365</u>

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

For the fiscal year ended June 30, 2022, depreciation expense is allocated in the Statement of Activities by function as follows:

	<u>Depreciation</u>
Instruction	\$ 33,787
School administration	501
Food services	433
Operation of plant	16,862
Maintenance of plant	<u>8,157</u>
Total Depreciation Expense	<u>\$ 59,740</u>

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

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

The agreement continues through June 30, 2023 and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2022, the School incurred approximately \$121,725 in fees of which approximately \$30,000 is included in accounts payable.

**Note 5 –Transactions With Other Divisions of Pinecrest Academy, Inc.**

Pinecrest Academy, Inc. charges its affiliated schools an assessment for shared corporate costs and accreditation expenses. Pinecrest Preparatory Charter School (Orlando Campus) paid Pinecrest Academy, Inc. \$40,575 in connection with these charges during the year.

The School made long term, non-interest bearing advances to another school under Pinecrest Academy, Inc.. The following provides a summary of long term advances during the year.

	<u>Balance 07/01/21</u>	<u>Advances</u>	<u>Collections</u>	<u>Balance 06/30/22</u>
Pinecrest Avalon Academy	\$ 400,000	\$ -	\$ -	\$ 400,000
Pinecrest Academy, Inc.	-	<u>200,000</u>	-	<u>200,000</u>
Total long term receivables	<u>\$ 400,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 600,000</u>

**Note 6 – Long Term Liabilities**

Pinecrest Academy, Inc. (the “School”) entered into a Lease Agreement with The District Board of Trustees of Valencia Community College, as amended. The lease was extended through July 31, 2023 and the School has the right to extend for (2) two additional terms of five (5) years, with the base rent to increase at a rate of three percent (3%) per year. The rent is based on 13,444 square feet and shall be paid in equal monthly installments beginning August 1<sup>st</sup> of each of the consecutive twelve-month periods during the term.

The lease was terminated in June 2022. On June 1, 2022, the School entered into a lease agreement with Pinecrest Academy Foundation, Inc., a not for profit supporting organization of Pinecrest Academy, Inc., effective June 22, 2022. The agreement continues through June 30, 2042, with two options to renew of five additional years each. This agreement calls for rent at a rate of \$1,250 per full-time student equivalent with a minimum enrollment of 200 students. Annual payments under this agreement are adjusted annually based on the Consumer Price Index (CPI) plus additional property costs including repairs, maintenance, and insurance. On July 1, 2022, the School entered into an Amended lease with Pinecrest Academy Foundation, Inc. changing the rate to \$800 per full time student equivalent. For 2022, rent expense totaled \$109,308, pertaining to the facility lease.

The School has implemented GASB Statement No. 87 Leases, and as a result recorded a lease right of use asset and liability in these financial statements. At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The School has used an average effective interest for several borrowings during FY 2021 and 2022. The average borrowing rate was 5% which was used to discount the annual lease payments to recognize the intangible right to use this asset and the lease liability as of June 30, 2022.

Annual requirements to amortize the lease liability and related interest are as follows:

Year	Principal	Interest	Total	
2023	\$ 60,354	\$ 99,646	\$ 160,000	
2024	63,442	96,558	160,000	
2025	66,687	93,313	160,000	
2026	70,099	89,901	160,000	
2027	73,686	86,314	160,000	
2028-2032	428,985	371,015	800,000	(Total for a five year period.)
2033-2037	550,542	249,458	800,000	(Total for a five year period.)
2038-2042	706,543	93,457	800,000	(Total for a five year period.)
	\$ 2,020,338	\$ 1,179,662	\$ 3,200,000	

**Note 6 – Long Term Liabilities (continued)**

Changes in long term lease liabilities during the year are as follows:

	Balance 7/1/2021	Additions	Payments	Balance 6/30/2022
Lease Liability	\$ -	\$ 2,020,338	\$ -	\$ 2,020,338
Total Lease Liabilities	\$ -	\$ 2,020,338	\$ -	\$ 2,020,338

**Note 7 – Contingencies and Concentrations**

Contingencies and Concentrations

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the charter school contract with the District, the District withholds an administrative fee of up to 5% or 2% if high performing, of the qualifying revenues of the School. For the year ended June 30, 2022, administrative fees withheld by the School District totaled \$98,541.

**Note 8 – Risk Management**

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past three fiscal years. In addition, there were no reductions in insurance coverage from those in the prior year. The School has entered into a strategic relationship with ADP TotalSource, Inc., a human resource management firm, typically known as “Professional Employer Organization” (PEO). Under a co-employment agreement, the PEO is the employer of record and is responsible for administering payroll, payroll taxes, provide employee benefits and assist with human resources and risk management. Accordingly, certain human resource related risks are transferred to the PEO. Nevertheless, the School may be subject to risks, including loss, penalties and fines related to employment practices, administrative error and omissions.

**Note 9 – Inter-fund Transfers**

Inter-fund transfers between governmental funds as of June 30, 2022 consist of the following:

	General Fund	Special Revenue Fund
To fund lunch shortfall	\$ (61,980)	\$ 61,980
To reimburse the general fund for prior year expenditures	83,277	(83,277)
Total Transfers, net	<u>\$ 21,297</u>	<u>\$ (21,297)</u>
	General Fund	Special Revenue Fund
Due to General Fund from Special Revenue Fund for Title I	\$ 18,972	\$ (18,972)
Due to General Fund from Special Revenue Fund for Title IV	5,291	(5,291)
Total Due from/(Due to)	<u>\$ 24,263</u>	<u>\$ (24,263)</u>

**Note 10 – Defined Contribution Retirement Plan**

The School’s personnel, who are leased through ADP Total Source Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School provides a match of 100% of the employees contribution up to 4% of the employee’s compensation. The School contributed \$26,594 to the Plan for the year ended June 30, 2022. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by Voya Financial.

REQUIRED SUPPLEMENTARY INFORMATION



Pinecrest Preparatory Charter School (Orlando Campus)  
(A charter school under Pinecrest Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2022

	General Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State passed through local	\$ 2,091,995	\$ 2,100,944	\$ 2,125,029
Charges and other revenue	5,120	10,129	11,824
Total Revenues	<u>2,097,115</u>	<u>2,111,073</u>	<u>2,136,853</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	1,216,021	1,204,173	1,179,263
Student support services	65,952	61,048	57,592
Instructional staff training	24,510	20,285	18,489
Board	20,456	18,654	18,414
School administration	445,929	461,447	460,603
Fiscal services	38,625	42,531	40,575
Central services	56,625	56,157	56,157
Operation of plant	162,851	160,787	155,796
Maintenance of plant	65,180	62,419	59,165
Total Current Expenditures	<u>2,096,149</u>	<u>2,087,501</u>	<u>2,046,054</u>
Excess of Revenues			
Over Current Expenditures	<u>966</u>	<u>23,572</u>	<u>90,799</u>
Capital Outlay	<u>44,950</u>	<u>44,950</u>	<u>43,714</u>
Total Expenditures	<u>2,141,099</u>	<u>2,132,451</u>	<u>2,089,768</u>
Deficicit of Revenues Over Expenditures	(43,984)	(21,378)	47,085
Other financing sources (uses):			
Transfers in (out)	(103,147)	(14,715)	21,297
Advances to other divisions of Pinecrest, Inc.	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>
Net change in fund balance	(347,131)	(236,093)	(131,618)
Fund Balance at beginning of year	<u>358,421</u>	<u>358,421</u>	<u>358,421</u>
Fund Balance at end of year	<u>\$ 11,290</u>	<u>\$ 122,328</u>	<u>\$ 226,803</u>

Notes to Budgetary Comparison Schedule

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

Pinecrest Preparatory Charter School (Orlando Campus)  
(A charter school under Pinecrest Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2022

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Federal sources	\$ 417,017	\$ 429,018	\$ 444,259
Lunch program	44,952	60,275	63,070
Charges and other revenues	41,863	54,837	56,983
Total Revenues	<u>503,832</u>	<u>544,130</u>	<u>564,312</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	375,161	333,621	322,223
School administration	1,520	1,520	1,069
Food services	133,145	127,621	125,050
Maintenance of plant	42,151	41,793	37,690
Community services	55,002	54,290	51,132
Total Current Expenditures	<u>606,979</u>	<u>558,845</u>	<u>537,164</u>
Excess (Deficit) of Revenues Over Current Expenditures	<u>(103,147)</u>	<u>(14,715)</u>	<u>27,148</u>
Capital Outlay	-	-	-
Total Expenditures	<u>606,979</u>	<u>558,845</u>	<u>537,164</u>
Excess (Deficit) of Revenues Over Expenditures	(103,147)	(14,715)	27,148
Other financing sources (uses)			
Transfers in (out)	<u>103,147</u>	<u>14,715</u>	<u>(21,297)</u>
Net change in fund balance	-	-	5,851
Fund Balance at beginning of year	<u>3,473</u>	<u>3,473</u>	<u>3,473</u>
Fund Balance at end of year	<u>\$ 3,473</u>	<u>\$ 3,473</u>	<u>\$ 9,324</u>

Notes to Budgetary Comparison Schedule

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



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

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To the Board of Directors of  
Pinecrest Preparatory Charter School (Orlando Campus)  
Orlando, 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 and each major fund of Pinecrest Preparatory Charter School (Orlando Campus) (the “School”) as of, and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements and have issued our report thereon dated September 30, 2022 .

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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*.

We issued a separate management letter dated pursuant to Chapter 10.850, Rules of the Auditor General dated September 30, 2022.

### **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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 30, 2022



## MANAGEMENT LETTER

Board of Directors of  
Pinecrest Preparatory Charter School (Orlando Campus)  
Orlando, Florida

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

We have audited the financial statements of Pinecrest Preparatory Charter School (Orlando Campus), Orlando, Florida, as of and for the fiscal year ended June 30, 2022 and have issued our report thereon dated September 30, 2022.

### **Auditor's Responsibility**

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

### **Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated , should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

### **Official Title**

Section 10.854.(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity is Pinecrest Preparatory Charter School (Orlando Campus), 0155.

### **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 Pinecrest Preparatory Charter School (Orlando Campus) has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that Pinecrest Preparatory Charter School (Orlando Campus) did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendation to improve financial management. In connection with our audit, we had no such recommendations:

### **Transparency**

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether Pinecrest Preparatory Charter School (Orlando Campus) maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Pinecrest Preparatory Charter School (Orlando Campus) 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 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 Florida House of Representatives, the Florida Auditor General, School Board of Orange County, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 30, 2022