

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

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2023

P&M PELLEGRINO &
McFARLAND PA.
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	7
Statement of Activities.....	8
Fund Financial Statements	
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	12
Statement of Fiduciary Net Position – Fiduciary Funds.....	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Fiduciary Funds.....	14
Notes to the Basic Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General and Capital Projects Funds (Unaudited)	26
OTHER INDEPENDENT AUDITORS' REPORTS	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27
Management Letter	29

INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sarasota Academy of the Arts, Inc. (the Charter School) (a component unit of the School Board of Sarasota County, Florida) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Sarasota Academy of the Arts, Inc.'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 Sarasota Academy of the Arts, Inc. as of June 30, 2023, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School 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 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 the School'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

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 auditors' 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 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, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis to be presented to supplement the basic financial statements. Such information 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 September 15, 2023, on our consideration of Sarasota Academy of the Arts, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sarasota Academy of the Arts, Inc.'s internal control over financial reporting and compliance.

Pellegrino & McFarland, P.A.

Sarasota, Florida
September 15, 2023

SARASOTA ACADEMY OF THE ARTS, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2023

The following pages represent Management's Discussion and Analysis (MD&A) of Sarasota Academy of the Arts, Inc. (the Charter School). It depicts and reviews the financial picture and activities of the Charter School as of and for the year ended June 30, 2023.

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

Using the Financial Statements

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

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

Financial Highlights

Statement of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current and other assets	\$ 534,223	\$ 449,598	\$ 84,625
Capital assets	1,223,932	1,391,513	(167,581)
Right to use leased assets	<u>3,334,265</u>	<u>-</u>	<u>3,334,265</u>
Total Assets	<u>\$ 5,092,420</u>	<u>\$ 1,841,111</u>	<u>\$ 3,251,309</u>
Current liabilities	\$ 127,847	\$ 66,575	\$ 61,272
Noncurrent liabilities	<u>4,005,572</u>	<u>600,375</u>	<u>3,405,197</u>
Total Liabilities	<u>\$ 4,133,419</u>	<u>\$ 666,950</u>	<u>\$ 3,466,469</u>
Net investment in capital assets	\$ 623,932	\$ 791,513	\$ (167,581)
Restricted	200,000	200,000	-
Unrestricted	<u>135,069</u>	<u>182,648</u>	<u>(47,579)</u>
Total Net Position	<u>\$ 959,001</u>	<u>\$ 1,174,161</u>	<u>\$ (215,160)</u>

Total assets increased by 176% due to the GASB 87 calculations for right of use.

Total liabilities increased by 519% due to GASB 87 calculations for capitalized leases.

SARASOTA ACADEMY OF THE ARTS, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Statement of Activities

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues			
Program revenues			
Charges for services	\$ 23,307	\$ 28,732	\$ (5,425)
Operating grants and contributions	6,059	3,627	2,432
General revenues			
Florida education finance program	1,742,381	1,719,789	22,592
Other state revenue	164,463	99,131	65,332
Other local revenue	63,334	145,595	(82,261)
Restricted investment earnings	84	131	(47)
Total revenues	<u>1,999,628</u>	<u>1,997,005</u>	<u>2,623</u>
Expenditures			
Instruction	909,841	912,585	(2,744)
Exceptional instruction	127,599	132,029	(4,430)
Instruction and curriculum development services	-	133	(133)
Instructional staff training services	-	2,065	(2,065)
Instruction-related technology	-	3,810	(3,810)
Board	50,576	39,224	11,352
General administration	31,862	32,787	(925)
School administration	255,351	272,599	(17,248)
Facility services – non-capitalized	206,767	14,950	191,817
Fiscal services	27,546	27,497	49
Food services	378	170	208
Central services	832	126	706
Student transportation services	44,428	35,610	8,818
Operation of plant	353,839	248,072	105,767
Maintenance of plant	66,159	30,861	35,298
Administrative technology	25,697	56,988	(31,291)
Community services	29,075	34,096	(5,021)
Debt service	84,838	6,283	78,555
Total expenditures	<u>2,214,788</u>	<u>1,849,885</u>	<u>364,903</u>
Change in net position	(215,160)	147,120	(362,280)
Net position - beginning	<u>1,174,161</u>	<u>1,027,041</u>	<u>147,120</u>
Net position - ending	<u>\$ 959,001</u>	<u>\$ 1,174,161</u>	<u>\$ (215,160)</u>

Total revenues stayed the same. The student count decreased in FY23. The lower FEFP was mostly offset by the higher FEFP allocations, ESSER funding and increased fundraising efforts.

Total expenditures decreased 246% due to the rent increase and GASB 87 calculations for capital leases.

SARASOTA ACADEMY OF THE ARTS, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Capital Assets and Long-term Debt Administration

Below is a schedule of the Charter School's capital assets as of June 30, 2023 and 2022. See Note 4 to the financial statements for a detail of the activity during the fiscal year and other related information.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Capital assets, not being depreciated			
Construction-in-progress	\$ -	\$ 1,213,327	\$ (1,213,327)
Capital assets, being depreciated			
Building and improvements	1,261,995	247,318	1,014,677
Furniture, fixtures and equipment	79,839	86,973	(7,134)
Motor vehicles	<u>25,787</u>	<u>25,787</u>	<u>-</u>
Total capital assets being depreciated	1,367,621	360,078	1,007,543
Less accumulated depreciation	<u>143,689</u>	<u>181,892</u>	<u>(38,203)</u>
Total capital assets being depreciated, net	<u>1,223,932</u>	<u>178,186</u>	<u>1,045,746</u>
Capital assets, net	<u>\$ 1,223,932</u>	<u>\$ 1,391,513</u>	<u>\$ (167,581)</u>

Capital asset changes during the year were due to the annual depreciation of current capital assets and construction in progress being recategorized to a depreciable item of buildings and improvements.

Long-term Debt

Below is a schedule of outstanding debt as of June 30, 2023 and 2022. See Note 5 to the financial statements for a detail of changes during the fiscal year and specific debt provisions.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Notes payable	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ -</u>

No change because interest only payments until July 2023.

Economic Factors and the Budget

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

SARASOTA ACADEMY OF THE ARTS, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Request for Information

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

For further information, contact;

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

SARASOTA ACADEMY OF THE ARTS, INC.

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 305,620
Prepaid items	11,936
Total Current Assets	<u>317,556</u>
Noncurrent Assets	
Restricted cash and cash equivalents	200,000
Depreciable capital assets, net	1,223,932
Right of use leased assets, net of amortization	3,334,265
Deposits	16,667
Total Noncurrent Assets	<u>4,774,864</u>
Total Assets	<u><u>\$ 5,092,420</u></u>
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	\$ 1,793
Accrued payroll	126,054
Total Current Liabilities	<u>127,847</u>
Noncurrent Liabilities	
Compensated absences	375
Due within one year	206,514
Due in more than one year	3,798,683
Total Noncurrent Liabilities	<u>4,005,572</u>
Total Liabilities	4,133,419
Net position	
Net investment in capital assets	623,932
Restricted	200,000
Unrestricted	135,069
Total Net Position	<u>959,001</u>
Total Liabilities and Net Position	<u><u>\$ 5,092,420</u></u>

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

SARASOTA ACADEMY OF THE ARTS, INC.

Statement of Activities

For the Year Ended June 30, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities					
Instruction	\$ 909,841	\$ -	\$ -	\$ 41,517	\$ (868,324)
Exceptional instruction	127,599	-	6,059	-	(121,540)
Board	50,576	-	-	-	(50,576)
General administration	31,862	-	-	-	(31,862)
School administration	255,351	-	-	-	(255,351)
Facilities services - non capitalized	206,767	-	-	-	(206,767)
Fiscal services	27,546	-	-	-	(27,546)
Food services	378	-	-	-	(378)
Central services	832	-	-	-	(832)
Pupil transportation	44,428	-	-	-	(44,428)
Operation of plant	353,839	-	-	-	(353,839)
Maintenance of plant	66,159	-	-	-	(66,159)
Administrative technology	25,697	-	-	-	(25,697)
Community services	29,075	23,307	-	-	(5,768)
Debt service	84,838	-	-	-	(84,838)
	<u>\$ 2,214,788</u>	<u>\$ 23,307</u>	<u>\$ 6,059</u>	<u>\$ 41,517</u>	<u>\$ (2,143,905)</u>
Total governmental activities					

General revenues:

Florida education finance program	1,700,864
Other state revenue	164,463
Other local revenue	63,334
Restricted investment earnings, net of fees	<u>84</u>

Total general revenues 1,928,745

Change in net position (215,160)

Net position - beginning 1,174,161

Net position - ending \$ 959,001

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

SARASOTA ACADEMY OF THE ARTS, INC.

Balance Sheet - Governmental Funds

June 30, 2023

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 305,620	\$ -	\$ 305,620
Prepaid items	11,936	-	11,936
Deposit	16,667	-	16,667
Total Current Assets	334,223	-	334,223
Noncurrent Assets			
Restricted cash and cash equivalents	200,000	-	200,000
Total Assets	\$ 534,223	-	\$ 534,223
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable	\$ 1,793	\$ -	\$ 1,793
Accrued payroll	126,054	-	126,054
Total Liabilities	127,847	-	127,847
Fund Balance			
Nonspendable	28,603	-	28,603
Restricted	200,000	-	200,000
Unassigned	177,773	-	177,773
Total Fund Balance	406,376	-	406,376
Total Liabilities and Fund Balance	\$ 534,223	\$ -	\$ 534,223

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

SARASOTA ACADEMY OF THE ARTS, INC.
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2023

		<u>Primary Government</u>
Total Fund Balance - Governmental Funds		\$ 406,376
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.		
Capital assets	\$ 1,367,621	
Less accumulated depreciation	<u>(143,689)</u>	1,223,932
Right to use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Right to use leased assets	3,449,240	
Less accumulated amortization	<u>(114,975)</u>	3,334,265
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences	(375)	
Leases	(3,405,197)	
Notes payable	<u>(600,000)</u>	<u>(4,005,572)</u>
Net Position of Governmental Activities		<u>\$ 959,001</u>

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

SARASOTA ACADEMY OF THE ARTS, INC.
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Capital Projects Fund	Total Primary Government
Revenues			
Federal through state	\$ 6,059	\$ -	\$ 6,059
State	1,509,749	89,782	1,599,531
Local	393,954	-	393,954
Investment income	84	-	84
Total revenues	1,909,846	89,782	1,999,628
Expenditures			
Education			
Basic instruction	905,470	-	905,470
Exceptional instruction	127,599	-	127,599
Board	50,576	-	50,576
General administration	31,862	-	31,862
School administration	254,588	-	254,588
Fiscal services	27,068	-	27,068
Food services	378	-	378
Central services	832	-	832
Pupil transportation	40,560	-	40,560
Operation of plant	282,905	-	282,905
Maintenance of plant	66,159	-	66,159
Administrative technology	25,697	-	25,697
Community services	29,075	-	29,075
Capital outlay	48,668	-	48,668
Debt service			
Interest	84,838	-	84,838
Total expenditures	1,976,275	-	1,976,275
Excess (deficit) of revenues over expenditures	(66,429)	89,782	23,353
Other financing sources (uses)			
Transfer between funds	89,782	(89,782)	-
	89,782	(89,782)	-
Net change in fund balance	23,353	-	23,353
Fund balance at beginning of year	383,023	-	383,023
Fund balance at end of year	<u>\$ 406,376</u>	<u>\$ -</u>	<u>\$ 406,376</u>

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

SARASOTA ACADEMY OF THE ARTS, INC.
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balance of the Governmental Funds to Statement of Activities
 For the Year Ended June 30, 2023

Net Change in Fund Balance - Governmental Funds \$ 23,353

Amounts reported in the statement of activities are different because:

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

Capital outlay expenditures	\$ 48,668	
Less current year depreciation	<u>(56,930)</u>	(8,262)

Amortization expense for right to use leased assets	<u>(114,975)</u>	(114,975)
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The loss on disposal of capital assets during the current period is reported in the statement of activities. In the government funds, the costs of these assets was recognized as an expenditure in the year purchased. Thus the change in net position differs from the change in fund balances by the undepreciated cost of the disposed assets.

	<u>(159,318)</u>	(159,318)
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Repayment of principal is an expenditure in the governmental funds, but, the repayment reduces noncurrent liabilities in the statement of net position.

Capital leases	<u>44,042</u>	<u>44,042</u>
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Change in Net Position - Governmental Activities		<u><u>\$ (215,160)</u></u>
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The accompanying notes are an integral part of these financial statements.

SARASOTA ACADEMY OF THE ARTS, INC.
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2023

	<u>Agency Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	<u>\$ 5,323</u>
Total Assets	<u><u>\$ 5,323</u></u>
LIABILITIES	
Total Liabilities	<u>\$ -</u>
NET POSITION	
Restricted for Parent Teacher Organization	<u>5,323</u>
Total Net Position	<u><u>\$ 5,323</u></u>

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

SARASOTA ACADEMY OF THE ARTS, INC.
Statement of Revenues, Expenditures and Changes in Fund Balance
Fiduciary Funds
For the Year Ended June 30, 2023

	Agency Fund
Revenues	
Local	\$ 102
Total revenues	102
Expenditures	
Instructional	959
Board	5
School administration	278
Total expenditures	1,242
Net increase (decrease) in fiduciary net position	(1,140)
Net position - beginning	13,764
Prior period adjustment (Note 11)	(7,301)
Net position - beginning restated	6,463
Net position - ending	\$ 5,323

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

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2023

NOTE 1 – ORGANIZATION

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

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

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

Budgetary Basis of Accounting: The annual budget was adopted on the modified accrual basis of accounting. The level of budgetary control is at the entity level. All annual appropriations lapse at fiscal year-end. For fiscal year ended June 30, 2023, appropriations exceeded expenses by \$23,353. Revisions to the annual budget are approved by the Board.

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Receivables: All amounts due from the School Board and other receivables are deemed collectible. Therefore, no allowance has been recorded as of June 30, 2023.

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

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

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases: The Charter School leases a building. A lease liability and an intangible right-to-use lease asset (RTU lease asset) are recognized in the government-wide financial statements for each lessee transaction.

At the commencement of each lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liabilities are reduced by the principal portions of lease payments made. The RTU lease assets are measured as the initial amount of the individual lease liabilities, adjusted for lease payments made at or before the lease commencement dates, plus certain initial direct costs. Subsequently, the RTU lease assets are amortized on a straight-line basis over their useful lives.

The School calculates operating lease liabilities using the interest rate charged by the lessor as the discount rate. When an interest rate charged by the lessor is not provided, the risk-free rate, using a comparable period with the lease term, is used as the discount rate for leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized.

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

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

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

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- Unassigned: This classification represents amounts that have not been restricted, committed or assigned to a specific purpose within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance.

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

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

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

- Committed
- Assigned
- Unassigned

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

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

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

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes: The Charter School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The Charter School's status as a tax exempt not-for-profit entity is considered a tax position subject to reporting requirements under FASB Accounting Standards Codification 740-10. Entities are required to examine all tax positions and determine if it is more likely than not that the positions would be sustained upon examination by taxing authorities. The Charter School has not recorded any accruals for uncertain income tax positions at June 30, 2023.

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

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash: Custodial credit risk is the risk that in the event of bank failure, the Charter School's deposits may not be returned. The Charter School can mitigate this risk by depositing funds in financial institutions insured by Federal depository insurance. The deposits are insured by the FDIC up to \$250,000 per bank institution. At June 30, 2023, the carrying amount of the Charter School's deposits was \$510,943 and bank balances were \$509,796. The Charter School had uninsured balances of \$94,086 as of June 30, 2023.

Restricted Cash: At June 30, 2023, the Charter School reported restricted cash in the amount of \$200,000.

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

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2023

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance July 1, <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2023</u>
Capital assets, not being depreciated				
Construction-in-progress	\$ 1,213,327	\$ -	\$ 1,213,327	\$ -
Capital assets, being depreciated				
Buildings and improvements	247,318	1,261,995	247,318	1,261,995
Furniture, fixtures and equipment	86,973	-	7,134	79,839
Motor vehicles	<u>25,787</u>	<u>-</u>	<u>-</u>	<u>25,788</u>
Total capital assets being depreciated	<u>360,078</u>	<u>1,261,995</u>	<u>254,452</u>	<u>1,367,621</u>
Less accumulated depreciation				
Buildings and improvements	83,922	48,889	90,744	42,067
Furniture, fixtures and equipment	76,050	4,173	4,389	75,834
Motor vehicles	<u>21,920</u>	<u>3,868</u>	<u>-</u>	<u>25,788</u>
Total accumulated depreciation	<u>181,892</u>	<u>56,930</u>	<u>95,133</u>	<u>143,689</u>
Total capital assets being depreciated, net	<u>178,186</u>	<u>1,205,065</u>	<u>159,319</u>	<u>1,223,932</u>
Capital assets, net	<u>\$ 1,391,513</u>	<u>\$ 1,205,065</u>	<u>\$ 1,372,646</u>	<u>\$ 1,223,932</u>

Depreciation expense in the amount of \$56,930 for the year ended June 30, 2023, was allocated to the following functions:

Instruction	\$ 1,626
School administration	763
Facilities acquisition and construction	50,195
Fiscal services	478
Student transportation services	<u>3,868</u>
Total	<u>\$ 56,930</u>

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2023

NOTE 5 – NONCURRENT LIABILITIES

Activity for noncurrent liabilities for the year ended June 30, 2023 was as follows:

	Balance July 1, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2023</u>	Due Within <u>One Year</u>
Governmental activities					
Compensated absences	\$ 375	\$ -	\$ -	\$ 375	\$ -
Lease liabilities	-	3,449,239	44,042	3,405,197	67,552
Notes payable	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>600,000</u>	<u>138,962</u>
Totals	<u>\$ 600,375</u>	<u>\$ 3,449,239</u>	<u>\$ 44,042</u>	<u>\$ 4,005,572</u>	<u>\$ 206,514</u>

Long-Term Debt

The Charter School is obligated on long-term debt in the form of a \$600,000 promissory note due to Synovus Bank for the building renovations. Monthly interest payments are due on the outstanding principal balance beginning July 1, 2023 at the rate of 5.125%. Beginning July 1, 2023, monthly payments of principal and interest of \$13,873.15 will be due. The final payment of the unpaid balance of principal and interest will be due on June 1, 2027.

Future principal payments are as follows:

Fiscal Year Ending <u>June 30,</u>	
2024	\$ 138,962
2025	146,253
2026	153,927
2027	<u>160,858</u>
Total	<u>\$ 600,000</u>

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2023

NOTE 6 – RELATED PARTY FACILITY LEASE

The Charter School entered into a lease for administrative and classroom space under an operating lease with a related party, for an initial term of June 1, 2018 through May 31, 2023. The base monthly rent was \$7,500, with an increase of 1% annually. The building was sold in March 2021. The lease terms continued with the new owner, who is not a related party. In January, 2023 the Charter School moved into the leased property (Note 7). For the period ended January 15, 2023, total lease expense was \$52,252.

NOTE 7 – FACILITY LEASE

In December 2021, the Charter School entered into a lease agreement with The Jewish Federation of Sarasota-Manatee, Inc. to lease a building on their property. The lease commenced in January, 2023, and is for a term of fifteen (15) years. The annual rental amount will be \$200,000 payable in equal monthly installments for the first two years; \$300,000 for years three, four and five; \$313,200 for years six – ten; and \$360,000 for years eleven – fifteen. The annual rental will increase by \$1,044 for each enrolled student over 300.

Certain leases can be short-term or renewable at the option of the Charter School, and are accounted for appropriately per GASB Statement No. 87, Leases. As of June 30, 2023 there were no leases with variable payments not included in the measurement of the lease liability and none of the leases contained residual value guarantees. Leased assets are amortized on a straight-line basis over the life of the lease. Amortization expense for the fiscal year ended June 30, 2023 was \$114,975.

Leased assets	\$ 3,449,240
Accumulated amortization	<u>(114,975)</u>
Leased assets, net	<u>\$ 3,334,265</u>

Amortization for the remaining lease term as of June 30, 2023 are as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Total</u>
2024	\$ 229,949
2025	229,949
2026	229,949
2027	229,949
2028	229,949
Thereafter	<u>2,184,520</u>
Total amortization	<u>\$ 3,334,265</u>

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2023

NOTE 7 – FACILITY LEASE – CONTINUED

Lease Liabilities

The Charter School leases a building. As of June 30, 2023 the Charter School's lease liabilities total \$3,405,198. Annual principal and interest payments due for lease payments as of June 30, 2023 are as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 67,552	\$ 132,448
2025	120,663	129,337
2026	176,893	123,107
2027	183,962	116,038
2028	197,969	108,631
Thereafter	<u>2,658,159</u>	<u>551,241</u>
Total	<u>\$ 3,405,198</u>	<u>\$ 1,160,802</u>

NOTE 8 – RETIREMENT PLAN

The Charter School sponsors a defined contribution pension plan that covers all full-time employees that have met certain age and service requirements. The Charter School's contributions to the plan are \$400 the first year, \$500 the second year and \$600 the third year per participating employee. Employees are vested in the plan according to a schedule. For the year ended June 30, 2023, the Charter School's retirement plan contributions were \$12,839.

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2023

NOTE 9 – LOCAL REVENUE SOURCES

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

<u>Source</u>	<u>Amount</u>
Federal through state	
IDEA grant	\$ 6,059
Subtotal	<u>6,059</u>
State through local	
Base funding	1,196,395
Reading instruction	9,103
Classroom for kids	164,387
Capital improvements	41,518
Other state revenue	<u>174,933</u>
Subtotal	<u>1,586,336</u>
Charges for services	
Clubs	23,307
Performing arts	-
Other charges	<u>63,325</u>
Subtotal	<u>86,632</u>
Local	
Referendum millage allocation	307,314
Instructional materials	13,194
Grants/donations/fundraising	<u>9</u>
Subtotal	<u>320,517</u>
Interest income	<u>84</u>
Total	<u>\$ 1,999,628</u>

NOTE 10 – RISK MANAGEMENT PROGRAMS

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Charter School has purchased commercial insurance.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

During the year, it was discovered that revenue from uniform sales was deposited into the fiduciary account, instead of the Charter School's internal account. This correction resulted in a reduction in the fiduciary net position by \$7,301.

NOTE 12 – EVALUATION OF SUBSEQUENT EVENTS

The Charter School has evaluated subsequent events through September 16, 2023 the date the financial statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

SARASOTA ACADEMY OF THE ARTS, INC.
Required Supplementary Information
Budgetary Comparison Schedule - General and Capital Projects Funds (Unaudited)
For the Year Ended June 30, 2023

	Primary Government			Over / (Under)
	Original Budget	Final Budget	Actual	
Revenues				
Federal through state	\$ -	\$ -	\$ 6,059	6,059
State	1,977,060	1,977,060	1,599,531	(377,529)
Local	372,202	372,202	393,954	21,752
Investment income	240	240	84	(156)
Total revenues	<u>2,349,502</u>	<u>2,349,502</u>	<u>1,999,628</u>	<u>(349,874)</u>
Expenditures				
Education				
Basic instruction	1,102,585	1,102,585	905,470	(197,115)
Exceptional instruction	181,858	181,858	127,599	(54,259)
Instructional staff training services	4,750	4,750	-	(4,750)
Instruction-related technology	400	400	-	(400)
Board	21,500	21,500	50,576	29,076
General administration	40,233	40,233	31,862	(8,371)
School administration	279,800	279,800	254,588	(25,212)
Fiscal services	31,000	31,000	27,068	(3,932)
Food services	4,000	4,000	378	(3,622)
Central services	300	300	832	532
Pupil transportation	52,368	52,368	40,560	(11,808)
Operation of plant	372,073	372,073	282,905	(89,168)
Maintenance of plant	39,000	39,000	66,159	27,159
Administrative technology	62,214	62,214	25,697	(36,517)
Community services	30,250	30,250	29,075	(1,175)
Capital Outlay	-	-	48,668	48,668
Debt service	-	-	84,838	84,838
Total expenses	<u>2,222,331</u>	<u>2,222,331</u>	<u>1,976,275</u>	<u>(246,056)</u>
Excess (deficit) of revenues over expenditures	<u>127,171</u>	<u>127,171</u>	<u>23,353</u>	<u>(103,818)</u>
Net change in fund balance	<u>\$ 127,171</u>	<u>\$ 127,171</u>	<u>\$ 23,353</u>	<u>\$ (103,818)</u>

Notes to Required Supplementary Information:

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sarasota Academy of the Arts, Inc. (the Charter School), a Charter School and component unit of the School Board of Sarasota County, as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated September 15, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sarasota Academy of the Arts, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sarasota Academy of the Arts, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Sarasota Academy of the Arts, Inc.'s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Pellegrino & McFarland, P.A.

Sarasota, Florida
September 15, 2023

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Sarasota Academy of the Arts, Inc. (the Charter School), a Charter School and component unit of the School Board of Sarasota County, as of and for the year ended June 30, 2023, and have issued our report thereon dated September 15, 2023.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.800, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 15, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1, Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, as noted below under the heading *Status of Prior Year Findings and Recommendations* and *Current Year Findings and Recommendations*.

Official Title

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

Financial Condition

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

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

Transparency

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

Other Matters

Section 10.854(1)(e)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, matters required to be disclosed are included under the heading *Status of Prior Year Findings and Recommendations* and *Current Year Findings and Recommendations*.

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

Purpose of this Letter

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

Pellegrino & McFarland, P.A.

Sarasota, Florida
September 15, 2023

Status of Prior Year Findings and Recommendations

There were no prior year findings or recommendations.

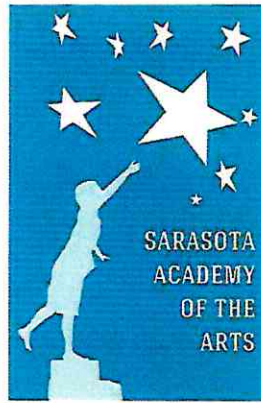
Current Year Findings and Recommendations

22-01 The principal’s bonus paid in July 2023 was not included in payroll.

We recommend the Charter School report bonuses to the payroll company in order to be in compliance with labor laws.

22-02 While testing payroll, we discovered the payments to the retirement account administrator did not tie to the payroll reports and that there were several late payments.

We recommend the Charter School implement review procedures to ensure the correct amounts are being submitted to the retirement account administrator each month within the required time.



10/3/2023

RE: AUDIT CURRENT YEAR FINDINGS AND RECOMMENDATIONS- SCHOOL RESPONSES

- The Principal bonus, when applicable, will be submitted/documented through Charter Ace by the Bookkeeper. Mrs. Melissa Egan, Bookkeeper, will provide a description and coding, similar to the 2022-2023 documentation. The Treasurer of the Board, Mr. Dan Dembicki and the Principal, Dr. Jodi Kopacz will review and approve the documentation in Charter Ace.
- The verification of funds deposited into 403b accounts will be confirmed through a dual control process, by Mrs. Melissa Egan and Dr. Jodi Kopacz, Principal, before submission. Additionally, the payroll reports will be utilized to verify those amounts.

Sincerely,


Dr Jodi Kopacz

Principal
Sarasota Academy of the Arts