



Pinellas Preparatory Academy
(A charter school under
Pinellas Preparatory Academy, Inc.)
(A Charter School and Component Unit
of the School Board of Pinellas County, Florida)
W/L #7171
Largo, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2020

TABLE OF CONTENTS

General Information	1	
Independent Auditors' Report.	2-3	
Management's Discussion and Analysis (Required Supplementary Information)	4-8	
Basic Financial Statements:		
<i>Government-wide Financial Statements:</i>		
Statement of Net Position	9	
Statement of Activities.	10	
<i>Fund Financial Statements:</i>		
Balance Sheet - Governmental Funds.	11	
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	12	
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.	13	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.	14	
Notes to the Basic Financial Statements	15-27	
Required Supplementary Information:		
Budgetary Comparison Schedules.	28-30	
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 <i>Government Auditing Standards</i>		31-32
Management Letter	33-34	

Pinellas Preparatory Academy
(A charter school under Pinellas Preparatory Academy, Inc.)
W/L# 7171

2300 South Belcher Road #100
Largo, FL 33771

2019-2020

BOARD OF DIRECTORS

Scott Craver, Chairman
William Delgado, Vice Chairman
Nathan Weatherlit, Treasurer
Theresa Jacobwitz, Secretary
Mia Cloud, Board Member
John Foss, Board Member

SCHOOL ADMINISTRATION

Amanda Matsumoto-Roberts, Principal (2019-2020)

Amanda Matsumoto-Roberts, Director of Business Operations (2020-2021)



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pinellas Preparatory Academy
Largo, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund and the aggregate remaining fund information of Pinellas Preparatory Academy (the "School"), a charter school under Pinellas Preparatory Academy, Inc., which is a component unit of the District School Board of Pinellas County, as of, and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund and the aggregate remaining fund information of Pinellas Preparatory Academy as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 28 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2020

Management's Discussion and Analysis
Pinellas Preparatory Academy
(A Charter School Under Pinellas Preparatory Academy, Inc.)

June 30, 2020

The corporate officers of Pinellas Preparatory Academy have prepared this narrative overview and analysis of the School's financial activities for the year ended June 30, 2020.

Financial Highlights

1. The net position of the School at June 30, 2020 was \$921,667.
2. At year-end, the School had current assets on hand of \$7,188,814.
3. The School had a decrease in net position of \$130,211 for the year ended June 30, 2020.
4. The unassigned fund balance at year end was \$1,293,160.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of the School's assets, deferred outflows of resources, 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 9 - 10 of this report.

Fund Financial Statements

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

All of the funds of the School are governmental funds. *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 basic governmental fund financial statements can be found on pages 11 – 14 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 15 - 27 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, net position was \$921,667 at the close of the fiscal year. A summary of the School's net position as of June 30, 2020 and 2019 is as follows:

	2020	(As restated) 2019
Cash and cash equivalents	\$ 1,858,329	\$ 1,330,092
Cash held by trustee	5,268,309	6,285,159
Prepaid expenses and other current assets	43,599	37,642
Due from other agencies	18,577	16,861
Due from Pinellas Primary Academy	-	201,661
Capital assets, net	3,547,254	4,232,920
Total Assets	<u>10,736,068</u>	<u>12,104,335</u>
Deferred Outflows	<u>-</u>	<u>-</u>
Accounts payable and accrued liabilities	247,234	167,303
Due to Pinellas Primary Academy	229,014	186,399
Note Payable under Paycheck Protection Program	378,500	-
Bond payable	8,959,653	10,698,755
Total Liabilities	<u>9,814,401</u>	<u>11,052,457</u>
Deferred Inflows	<u>-</u>	<u>-</u>
Net Position:		
Net investment in capital assets	(1,309,899)	(283,555)
Restricted by bond	5,268,309	6,285,159
Unrestricted	<u>(3,036,743)</u>	<u>(4,949,726)</u>
Total Net Position	<u>\$ 921,667</u>	<u>\$ 1,051,878</u>

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

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

	2020	<i>(As restated)</i> 2019
REVENUES		
Program Revenues		
Capital grants and contributions	\$ 244,278	\$ 210,995
Operating grants and contributions	-	3,112
Charges for services	249,203	369,114
General Revenues		
FTE and other nonspecific revenues	2,909,735	2,921,579
Other revenues	288,239	142,938
Total Revenues	<u>\$ 3,691,455</u>	<u>\$ 3,647,738</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 2,253,736	\$ 2,093,810
Student support services	36,413	-
School administration	429,778	490,994
Fiscal services	34,695	25,204
Operation of plant	295,668	349,130
Maintenance of plant	114,486	123,922
Community services	87,191	71,716
Interest	569,699	655,637
Total Expenses	<u>3,821,666</u>	<u>3,810,413</u>
Change in Net Position	(130,211)	(162,675)
Net Position at Beginning of Year	<u>1,051,878</u>	<u>1,214,553</u>
Net Position at End of Year	<u>\$ 921,667</u>	<u>\$ 1,051,878</u>

The School's revenue and expenditures increased by \$43,717 and \$11,253, respectively. The School had a decrease in its net position of \$130,211.

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 \$1,336,759. The fund balance that is unassigned and available for spending at the School's discretion is \$1,293,160. These funds will be available for the School's future operations.

Capital Assets

The School's investment in capital assets as of June 30, 2020 amounts to \$3,547,254 (net of accumulated depreciation). This investment in capital assets includes building and improvements, furniture, fixtures and computer equipment. As of June 30, 2020, the School had long term debt totaling \$4,857,153 relating to capital assets.

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required. During the current year, the School obtained bond financing to construct and improve current facilities.

School Location

During 2019-2020, the School continued to operate from its facilities located at 2300 South Belcher Road #100, Largo, FL 33771.

Governmental Fund Budget Analysis and Highlights

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

	Governmental Funds		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Capital grants and contributions	\$ 216,307	\$ 244,278	\$ 244,278
Charges for services and other revenue	-	399,074	537,442
General Revenues			
FTE and other nonspecific revenues	2,867,236	2,909,735	2,909,735
Total Revenues	3,083,543	3,553,087	3,691,455
EXPENDITURES			
Component Unit Activities:			
Instruction	2,171,860	2,221,994	2,221,994
Student support services	12,000	36,413	36,413
School administration	366,169	408,486	408,486
Fiscal services	35,000	34,695	34,695
Operation of plant	183,307	185,687	180,260
Maintenance of plant	175,869	114,486	114,486
Community services	38,251	87,191	87,191
Expenditures (before capital outlay and debt service)	2,982,456	3,088,952	3,083,525
Capital Outlay and Debt Service:			
Repayment of principal	-	263,412	263,412
Interest expense	416,000	569,699	569,699
Capital outlay	-	94,285	94,285
Total Expenditures	\$ 3,398,456	\$ 4,016,348	\$ 4,010,921

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

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to the School's Administrator located at 2300 South Belcher Road #100, Largo, FL 33771.

Pinellas Preparatory Academy
(A charter school under Pinellas Preparatory Academy, Inc.)
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 1,858,329
Cash held by trustee	5,268,309
Due from other agencies	18,577
Prepaid expenses and other current assets	<u>43,599</u>
	7,188,814
Land	546,834
Capital assets, depreciable	4,511,541
Less: accumulated depreciation	<u>(1,511,121)</u>
	3,547,254
Total Assets	<u>10,736,068</u>
<u>Deferred Outflows of Resources</u>	
	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable and accrued expenses	126,280
Accounts payable	11,340
Accrued interest	109,614
Due to Pinellas Primary Academy	229,014
Current portion of bond payable	4,200,238
Current portion of note payable under Paycheck Protection Program	<u>125,536</u>
	4,802,022
Long-term debt:	
Note Payable under Paycheck Protection Program	252,964
Bond payable	<u>4,759,415</u>
Total Liabilities	9,814,401
<u>Deferred Inflows of Resources</u>	
	<u>-</u>
<u>Net position</u>	
Net investment in capital assets	(1,309,899)
Restricted by bond	5,268,309
Unrestricted	<u>(3,036,743)</u>
Total Net Position	<u>\$ 921,667</u>

Pinellas Preparatory Academy
(A charter school under Pinellas Preparatory Academy, Inc.)
Statement of Activities
For the year ended June 30, 2020

FUNCTIONS:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 2,253,736	\$ -	\$ -	\$ -	\$ (2,253,736)
Student support services	36,413	-	-	-	(36,413)
School administration	429,778	-	-	-	(429,778)
Fiscal services	34,695	-	-	-	(34,695)
Operation of plant	295,668	-	-	244,278	(51,390)
Maintenance of plant	114,486	-	-	-	(114,486)
Community services	87,191	249,203	-	-	162,012
Interest	569,699	-	-	-	(569,699)
Total Governmental Activities	3,821,666	249,203	-	244,278	(3,328,185)

General revenues:

FTE and other nonspecific revenues	2,909,735
Interest and other revenue	288,239
Change in net position	(130,211)
Net position, beginning (as restated)	1,051,878
Net position, ending	\$ 921,667

Pinellas Preparatory Academy
(A charter school under Pinellas Preparatory Academy, Inc.)
Balance Sheet - Governmental Funds
June 30, 2020

	General Fund	Special Revenue Fund Non- Major	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 1,750,831	\$ 107,498	\$ -	\$ -	\$ 1,858,329
Cash held by trustee	-	-	4,610,764	657,545	5,268,309
Due from other agencies	-	-	-	18,577	18,577
Prepaid expenses	43,599	-	-	-	43,599
Due from funds	18,577	-	-	-	18,577
Total Assets	<u>1,813,007</u>	<u>107,498</u>	<u>4,610,764</u>	<u>676,122</u>	<u>7,207,391</u>
<u>Deferred Outflows of Resources</u>					
	-	-	-	-	-
<u>Liabilities</u>					
Salaries and wages payable	126,280	-	-	-	126,280
Accounts payable	11,340	-	-	-	11,340
Accrued interest	109,614	-	-	-	109,614
Due to Pinellas Primary Academy	229,014	-	-	-	229,014
Due to funds	-	-	-	18,577	18,577
Total Liabilities	<u>476,248</u>	<u>-</u>	<u>-</u>	<u>18,577</u>	<u>494,825</u>
<u>Deferred Inflows of Resources</u>					
	-	-	-	-	-
<u>Fund balance</u>					
Nonspendable, not in spendable form	43,599	-	-	-	43,599
Restricted	-	107,498	4,610,764	657,545	5,375,807
Unassigned	1,293,160	-	-	-	1,293,160
	<u>1,336,759</u>	<u>107,498</u>	<u>4,610,764</u>	<u>657,545</u>	<u>6,712,566</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,813,007</u>	<u>\$ 107,498</u>	<u>\$ 4,610,764</u>	<u>\$ 676,122</u>	<u>\$ 7,207,391</u>

Pinellas Preparatory Academy
(A charter school under Pinellas Preparatory Academy, Inc.)
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2020

Total Fund Balance - Governmental Funds \$ 6,712,566

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

Capital assets of \$5,058,375 net of accumulated depreciation of \$1,511,121 used in governmental activities are not financial resources and therefore are not reported in the fund. 3,547,254

Long term debt which is not due and payable in the current period and, therefore, is not reported in the governmental funds. (9,338,153)

Total Net Position - Governmental Activities \$ 921,667

Pinellas Preparatory Academy
(A charter school under Pinellas Preparatory Academy, Inc.)
Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds
For the year ended June 30, 2020

	General Fund	Special Revenue Fund Non- Major	Debt Service Fund	Capital Projects Fund	Total Governmental
Revenues:					
State capital outlay funding	\$ -	\$ -	\$ -	\$ 244,278	\$ 244,278
State passed through local	2,909,735	-	-	-	2,909,735
Other revenue	138,368	-	142,326	7,545	288,239
Charges for services	249,203	-	-	-	249,203
Total Revenues	3,297,306	-	142,326	251,823	3,691,455
Expenditures:					
Current					
Instruction	2,221,994	-	-	-	2,221,994
Student support services	36,413	-	-	-	36,413
School administration	408,486	-	-	-	408,486
Fiscal services	34,695	-	-	-	34,695
Operation of plant	180,260	-	-	-	180,260
Maintenance of plant	114,486	-	-	-	114,486
Community services	87,191	-	-	-	87,191
Capital Outlay:					
Other capital outlay	94,285	-	-	-	94,285
Debt Service:					
Principal	-	-	263,412	-	263,412
Interest	-	-	569,699	-	569,699
Total Expenditures	3,177,810	-	833,111	-	4,010,921
Excess/(Deficit) of revenues over expenditures	119,496	-	(690,785)	251,823	(319,466)
Other financing sources:					
Proceeds from PPP Loan	-	378,500	-	-	378,500
Transfers in and (out)	848,890	(271,002)	(138,527)	(439,361)	-
Net change in fund balance	968,386	107,498	(829,312)	(187,538)	59,034
Fund Balance at beginning of year	1,232,554	-	5,440,076	845,083	7,517,713
Adjustment to reflect net changes in allocation of capital assets and bonds payable during the year	(864,181)	-	-	-	(864,181)
Fund Balance at end of year	\$ 1,336,759	\$ 107,498	\$ 4,610,764	\$ 657,545	\$ 6,712,566

Pinellas Preparatory Academy
(A charter school under Pinellas Preparatory Academy, Inc.)
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2020

Net Change in Fund Balance - Governmental Funds \$ 59,034

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$94,285 differed from depreciation expense of \$168,442 (74,157)

The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments of \$263,412 differed from proceeds of \$378,500 in the current period. (115,088)

Change in Net Position of Governmental Activities \$(130,211)

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Pinellas Preparatory Academy (the "School"), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-for-Profit Corporation Act. The governing body of the School is the board of directors of the not-for-profit corporation, which is composed of six members. The School operates under a charter granted by the sponsoring district, the District School Board of Pinellas County (the "District"). The current charter expires on June 30, 2026 and is renewable for an additional term pursuant to law or by mutual written agreement between the School and the District. During the term of the charter, the District may terminate the charter if good cause is shown. The School is considered a component unit of such District. The School is located in Largo, Florida for students from fourth through eighth grades and is funded by the District. These financial statements are for the year ended June 30, 2020, during which 436 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.

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.

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 which report fees; (2) operating grants such as Federal grants, and other state allocations; and (3) local and state 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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.

Note 1 – Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial 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.

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 outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. The School reports the following major governmental funds with all other non-major funds aggregated in a single column in the fund financial statements:

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.

Debt Service Fund – accounts for the resources accumulated and payments made for principal and interest on long-term debt of the School.

Capital Projects Fund – is used to account for the resources restricted for the acquisition or construction of specific capital assets from the bond proceeds and for state and local capital outlay funding that are legally restricted to expenditures for particular purposes.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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

Outstanding balances between funds are reported as “due to/from” other funds. Inter-fund transfers are made between the General Fund, Debt Service and Capital Projects Fund.

Cash and Cash Equivalents

All deposits are held in major banks and high grade investments. The School has not adopted a formal investment policy. Cash and cash equivalents include all highly liquid investments with a maturity of three months or less.

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.

Long –Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond payable is reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with a cost of \$750 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the government wide statements. Proceeds received from the sale or disposal of capital assets are recorded as Other Financing Sources in the governmental funds. Estimated useful lives, in years, for depreciable assets are as follows:

Building and improvements	5-15 Years
Furniture, equipment, and equipment	3-15 Years

Revenue Sources

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

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Finally, the School may also receive 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.

Charges for Services

The School charges students for various instruction and curriculum development programs including music, tutoring, food, art programs. These activities are recorded in the general fund since the fees charged are only supplementing the programs and the cost of such programs substantially exceed the fees. The School also offers a before and aftercare program that is reported in the general fund.

Contributions

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The School reports gifts of fixed assets or materials as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long donated assets or assets acquired with restricted contributions must be maintained, the School reports expirations of donor restrictions when donated or acquired assets are placed in service. Contributions are considered to be unrestricted program funds unless specifically restricted by donor.

Compensated Absences

It is the School's policy to grant employees leave based upon the number of years of employment with the School. Personal leave may be used as time off or accrued up to the maximum the employee would earn in two years. An employee resigning or retiring with two weeks' notice shall be paid for their credited personal leave up to the maximum allowable rate referred to above. Such leave pay shall be made at the employee's current rate of pay. Employees who terminate prior to completion of six months of continuous service will not be paid for any accrued personal leave time.

Note 1 – Summary of Significant Accounting Policies (continued)

In the government-wide financial statements, compensated absences are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the portion of compensated absences expected to be paid using expendable available resources.

Income Taxes

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

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 30, 2020, which is the date the financial statements were available to be issued.

Restricted Assets

Restricted assets include cash and cash equivalents that are related to the amounts that the School is required to segregate in connection with the issuance of bonds, including sinking fund and reserve requirements, as well as amounts segregated for capital projects of the School. The Indenture of Trust requires the establishment of the Funds for the bonds and accounts within such funds, all of which shall be special trust funds and accounts held by Trustee. At June 30, 2020 the composition of restricted balances is as follows:

	<u>Pinellas Preparatory Academy</u>	<u>Pinellas Primary Academy</u>	<u>Total</u>
<u>Restricted Funds</u>			
Capital Projects Fund	\$ 657,545	\$ 657,545	\$ 1,315,090
Debt Service Fund	4,492,319	4,492,318	8,984,637
Other Restricted Funds held by Trustee	118,445	118,445	236,890
Total Restricted Funds	\$ 5,268,309	\$ 5,268,308	\$ 10,536,617

Net position and Fund balance classifications

Government-wide financial statements

Equity is classified as net position and displayed in three (3) components:

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

Fund financial statements

Under GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement 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 listed below:

- a) Nonspendable - includes amounts that cannot be spent because they are either not spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories and prepaid expenses.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Restricted balances of the School relate to the bond issuance and PPP loan proceeds.
- 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 are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

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

Use of Estimates

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

Note 2 –Capital Assets

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

	<i>(As restated)</i>			
	Balance 07/01/19	Additions	Transfers to other School	Balance 06/30/20
Capital assets, non-depreciable:				
Land	\$ 546,834	\$ -	\$ -	\$ 546,834
Capital assets, depreciable:				
Buildings and improvements	4,339,821	16,763	(611,509)	3,745,075
Furniture, fixtures and equipment	688,944	77,522	-	766,466
Total Capital Assets	<u>5,575,599</u>	<u>94,285</u>	<u>(611,509)</u>	<u>5,058,375</u>
Less: Accumulated Depreciation	(1,342,679)	(168,442)	-	(1,511,121)
Capital Assets, net	<u>\$ 4,232,920</u>	<u>\$ (74,157)</u>	<u>\$ (611,509)</u>	<u>\$ 3,547,254</u>

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

Instruction	\$ 31,742
School administration	21,292
Operation of plant	115,408
Total Depreciation Expense	<u>\$ 168,442</u>

Note 3 –Transactions with District and Affiliates

The School’s facility is shared with Pinellas Primary Academy (a charter school under Pinellas Preparatory Academy, Inc.). Management allocates a proportionate share of debt, salaries, supplies, and other expenses to each school individually based on student enrollment and usage of facilities and staff. As a result of these allocations, the School has approximately \$230,000 due to Pinellas Primary Academy as of June 30, 2020.

Pursuant to the Charter School contract with the District, the District withholds an administrative fee of 2% of the qualifying revenues of the School. For the year ended June 30, 2020, administrative fees withheld by the School District totaled \$32,571.

Note 4 – Deposits Policy and Credit Risk

At June 30, 2020, the carrying amount of the School’s deposits and cash on hand totaled \$7,126,638 with a bank balance of \$7,152,229 (including restricted balances).

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and/or collateralized with securities held in Florida’s multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

Note 5 – Commitments, 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 receives various federal, state and local funds which is 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 expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

On January 21, 2020 the Centers for Disease Control and Preventions (CDC) confirmed the first case of 2019 Novel Coronavirus (COVID-19) in the United States. The ongoing spread of the new COVID-19 has become a threat to the global economy and financial markets. Pursuant to local emergency orders, the School converted to distance learning on March 13, 2020 for the remainder of the school year. The ultimate effect of COVID-19 on the School and its future operations cannot presently be determined.

Note 6 – Long Term Debt

2011 Revenue Bonds

On October 1, 2011, Educational Facilities Revenue Bonds, Series 2011A and 2011B – Pinellas County Educational Facilities Authority (the “Issuer”) issued Educational Facilities Revenue Bonds (Pinellas Preparatory Academy Project), Series 2011A, in the aggregate principal amount of \$8,670,000 (the “Series 2011A Bonds”). The 2011A Bonds were issued in two tranches in the amounts of \$7,905,000 (Tranche A) and \$765,000 (Tranche B). Pinellas Preparatory Academy, Inc. also issued Taxable Educational Facilities Revenue Bonds (Pinellas Preparatory Academy Projects) Series 2011B, in the aggregate principal amount of \$210,000 (the “Series 2011B Bonds”) which matured in 2015. The bonds were used to finance or refinance the costs of acquiring, constructing, and equipping certain charter school facilities. In addition, the bonds were used to renovate an adjacent structure for additional classroom space. The site is shared between the School and Pinellas Primary Academy where each school records their pro rata share of the bonds. As of June 30, 2020, the 2011 Bonds are allocated between the Schools equally.

Note 6 – Long Term Debt (continued)

Interest is payable annually on September 15. The bonds are secured by an Indenture of Trust dated as of October 1, 2011 between the Issuer and Regions Bank (the “Trustee”) pursuant to a resolution of the Issuer. The issuer has no obligation for the debt beyond the resources provided by the facility. These Bonds are subject to interest rates of 7.125% and 6.125% for Tranche A and Tranche B respectively. The bonds were issued at par.

On June 4, 2019, Pinellas Preparatory Academy, Inc. entered into an escrow agreement to defease and discharge the bonds with a call date of September 15, 2021. As of June 30, 2020 the escrow account balance was \$8,984,637.

2019 Revenue Bonds

On June 14, 2019, Educational Facilities Revenue Bonds, Series 2019A and 2019B – Pinellas County Educational Facilities Authority (the “Issuer”) issued Educational Facilities Revenue Bonds (Pinellas Preparatory Academy Project), Series 2019A, in the aggregate principal amount of \$1,300,000 (the “Series 2019A Bonds”). Pinellas Preparatory Academy, Inc. also issued Taxable Educational Facilities Revenue Bonds (Pinellas Preparatory Academy Projects) Series 2019B, in the aggregate principal amount of \$8,806,130 (the “Series 2019B Bonds”). The bonds were used to finance or refinance the costs of acquiring, constructing, and equipping certain charter school facilities with a gymnasium (through the enclosure of the existing facility) and other qualifying educational facilities to be located on the existing campus in Largo, FL. In addition, the bonds will be used to refund the outstanding 2011A Bonds through a deposit to an escrow account as well as the payment of certain issuance costs of the 2019 Bonds. As of June 30, 2020, the 2019 Bonds are allocated between the Schools equally.

Interest is payable quarterly commencing September 15, 2019. The bonds are secured by an Indenture of Trust dated as of June 1, 2019 between the Issuer and Zion’s Bancorporation, National Association (the “Trustee”) pursuant to a resolution of the Issuer. The issuer has no obligation for the debt beyond the resources provided by the facility. These Bonds are subject to interest rates of 4.20% and 5.25% for the 2019A and 2019B Bond issuances respectively. The bonds were issued at par.

The bonds contain restrictive covenants related to debt service coverage ratio, days cash on hand requirements, student enrollment and reporting requirements. In the event of default, the maturity date can be accelerated and/or the underlying collateral may be subject to foreclosure.

Pinellas Preparatory Academy
(A Charter School under Pinellas Preparatory Academy, Inc.)
Notes to Financial Statements
June 30, 2020

Note 6 – Long Term Debt (continued)

Total revenue bond debt service requirements to maturity are as follows:

Series 2019 Bonds:	Pinellas Primary Academy		Pinellas Preparatory Academy		Total Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
Year Ending June 30,						
2021	\$ 97,738	\$ 246,354	\$ 97,738	\$ 246,354	\$ 195,476	\$ 492,708
2022	131,566	240,642	131,567	240,642	\$ 263,133	\$ 481,284
2023	146,721	233,286	146,720	233,285	\$ 293,441	\$ 466,571
2024	154,041	225,437	154,041	225,438	\$ 308,082	\$ 450,875
2025	159,226	217,234	159,226	217,235	\$ 318,452	\$ 434,469
2026-2030	907,007	951,166	907,006	951,166	\$ 1,814,013	\$ 1,902,332
2031-2035	1,119,385	687,333	1,119,384	687,332	\$ 2,238,769	\$ 1,374,665
2036-2040	1,376,533	362,777	1,376,534	362,777	\$ 2,753,067	\$ 725,554
2041-2042	764,936	26,691	764,937	26,691	\$ 1,529,873	\$ 53,382
Total	\$ 4,857,153	\$ 3,190,920	\$ 4,857,153	\$ 3,190,919	\$ 9,714,306	\$ 6,381,839

Series 2011 Bonds:	Pinellas Primary Academy		Pinellas Preparatory Academy		Total Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
Year Ending June 30,						
2021	\$ 4,102,500	\$ 577,319	\$ 4,102,500	\$ 577,319	\$ 8,205,000	\$ 1,154,638
Total	\$ 4,102,500	\$ 577,319	\$ 4,102,500	\$ 577,319	\$ 8,205,000	\$ 1,154,638

Paycheck Protection Program Loan

On May 13, 2020, Pinellas Preparatory Academy, Inc., was granted a loan from a financial institution in the aggregate amount of \$757,000, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a note dated May 13, 2020 issued by Pinellas Preparatory Academy, Inc., matures on May 13, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on December 5, 2020 with interest accruing during the deferral period (May 13, 2020 – December 5, 2020). The Note may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The loan proceeds were allocated between the School and Pinellas Primary Academy equally. The Schools have \$214,996 of the loan proceeds remaining that was allocated equally and is recorded as restricted in the fund financial statements in accordance with the provisions under the PPP. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

Pinellas Preparatory Academy
(A Charter School under Pinellas Preparatory Academy, Inc.)
Notes to Financial Statements
June 30, 2020

Note 6 – Long Term Debt (continued)

Total debt service requirements for the PPP Loan as of June 30, 2020 is as follows:

Year ending	Pinellas Primary Academy		Pinellas Preparatory Academy		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 125,536	\$ 184	\$ 125,536	\$ 184	\$ 251,073	\$ 368
2022	252,964	1,373	252,964	1,372	505,927	2,745
Total	<u>\$ 378,500</u>	<u>\$ 1,557</u>	<u>\$ 378,500</u>	<u>\$ 1,556</u>	<u>\$ 757,000</u>	<u>\$ 3,113</u>

The composition of long-term debt as of June 30, 2020 is as follows:

	Balance				Balance
	July 01, 2019	Additions	Reductions	Transfers Out	June 30, 2020
Bonds Payable	\$ 10,698,755	\$ -	\$ (263,412)	\$ (1,475,690)	\$ 8,959,653
PPP Loan	-	378,500	-	-	378,500
	<u>\$ 10,698,755</u>	<u>\$ 378,500</u>	<u>\$ (263,412)</u>	<u>\$ (1,475,690)</u>	<u>\$ 9,338,153</u>

Total interest expense for the year ended of June 30, 2020 was \$569,699.

Note 7 – Interfund Transfers and Balances

Interfund transfers are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund-Non Major
To reimburse General Fund for expenditures	\$ 577,888	\$ (577,888)	\$ -	\$ -
To transfer funds to Debt Service Fund for debt service	-	439,361	(439,361)	-
To reimburse General Fund for expenditures under the PPP	271,002	-	-	(271,002)
Total Transfers, net	<u>\$ 848,890</u>	<u>\$ (138,527)</u>	<u>\$ (439,361)</u>	<u>\$ (271,002)</u>
Due to General Fund from Capital Projects Fund for capital outlay	\$ 18,577	\$ -	\$ (18,577)	\$ -
Total Due from/(Due to)	<u>\$ 18,577</u>	<u>\$ -</u>	<u>\$ (18,577)</u>	<u>\$ -</u>

Note 8 – Risk Management

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

Note 9 – Defined Contribution Retirement Plan

The School sponsors a defined contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering substantially all employees. The plan permits voluntary contributions from employees, based on a salary reduction agreement, and the School may agree to make nonelective contributions to the plan. The School contributed \$43,101 to the Plan for the year ended June 30, 2020.

Note 10 – Restatement

Net Position at the beginning of July 1, 2019 has been adjusted for bond costs that were capitalized in error in prior year. The correction has no effect on the results of the current year’s operations; however, the cumulative effect decreases beginning net position for 2020 by \$320,725. Had the error not occurred, net position for June 30, 2019 would have decreased by \$320,725. Previously issued financial statements have been restated to correct this error.

Note 11 – Changes in Allocations between Affiliates

During the year, management decided to adjust the allocation of capital assets and bonds payable between the School and Pinellas Primary Academy equally. The changes in allocation were as follows:

Transfers of Long-term Assets and Liabilities

	<u>Pinellas Preparatory Academy</u>	<u>Pinellas Primary Academy</u>
Capital Assets Transfer (See Note 2)	\$ (611,509)	\$ 611,509
Bonds Payable Transfer (See Note 6)	1,475,690	(1,475,690)
Total Net Transfer	<u>\$ 864,181</u>	<u>\$ (864,181)</u>

Transfers of Current Assets and Liabilities

	<u>Pinellas Preparatory Academy</u>	<u>Pinellas Primary Academy</u>
Restricted Cash Transfer	\$ (866,918)	\$ 866,918
Total Net Transfer	<u>\$ (866,918)</u>	<u>\$ 866,918</u>

REQUIRED SUPPLEMENTARY INFORMATION

Pinellas Preparatory Academy
(A charter school under Pinellas Preparatory Academy, Inc.)
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund
For the year ended June 30, 2020

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 2,867,236	\$ 2,909,735	\$ 2,909,735
Charges for services	-	249,203	249,203
Other revenues	506,692	138,368	138,368
Total Revenues	3,373,928	3,297,306	3,297,306
EXPENDITURES			
Current:			
Instruction	2,171,860	2,221,994	2,221,994
Student support services	12,000	36,413	36,413
School administration	366,169	408,486	408,486
Fiscal services	35,000	34,695	34,695
Operation of plant	183,307	185,687	180,260
Maintenance of plant	175,869	114,486	114,486
Community services	38,251	87,191	87,191
Total current expenditures	2,982,456	3,088,952	3,083,525
Excess of revenues over current expenditures	391,472	208,354	213,781
Capital outlay:			
Other capital outlay	-	94,285	94,285
Total Capital outlay and debt service expenditures	-	94,285	94,285
Total expenditures	2,982,456	3,183,237	3,177,810
Excess/(Deficit) of revenues over expenditures	391,472	114,069	119,496
Other financing sources:			
Transfers in and (out)	-	614,277	848,890
Net change in fund balance	391,472	728,346	968,386
Fund balance at beginning of year	1,232,554	1,232,554	1,232,554
Adjustment to reflect net changes in allocation of capital assets and bonds payable during the year	-	(864,181)	(864,181)
Fund balance at end of year	\$ 1,624,026	\$ 1,096,719	\$ 1,336,759

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.

Pinellas Preparatory Academy

(A charter school under Pinellas Preparatory Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Debt Service Fund

For the year ended June 30, 2020

	Debt Service Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Other revenues	\$ -	\$ 142,326	\$ 142,326
Total Revenues	-	142,326	142,326
EXPENDITURES			
Current:			
Instruction	-	-	-
Total current expenditures	-	-	-
Excess of revenues	-	-	-
Over current expenditures	-	142,326	142,326
Capital outlay:			
Other capital outlay	-	-	-
Debt service:			
Repayment of principal	-	263,412	263,412
Interest	416,000	569,699	569,699
Total Capital Outlay and Debt Service Expenditures	416,000	833,111	833,111
Excess/(Deficit) of revenues over expenditures	(416,000)	(690,785)	(690,785)
Other financing sources:			
Transfers in and (out)	-	(138,527)	(138,527)
Net change in fund balance	(416,000)	(829,312)	(829,312)
Fund balance at beginning of year	5,440,076	5,440,076	5,440,076
Fund balance at end of year	\$ 5,024,076	\$ 4,610,764	\$ 4,610,764

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.

Pinellas Preparatory Academy
(A charter school under Pinellas Preparatory Academy, Inc.)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Capital Projects Fund
For the year ended June 30, 2020

	Capital Projects Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	\$ 216,307	\$ 244,278	\$ 244,278
Other revenue	-	7,545	7,545
Total Revenues	216,307	251,823	251,823
EXPENDITURES			
Current:			
Operation of plant	-	-	-
Total current expenditures	-	-	-
Excess of revenues			
Over current expenditures	216,307	251,823	251,823
Capital outlay:			
Other capital outlay	-	-	-
Total expenditures	-	-	-
Excess of revenues			
Over expenditures	216,307	251,823	251,823
Other financing sources:			
Transfers in/(out)	-	(475,750)	(439,361)
Net change in fund balance	216,307	(223,927)	(187,538)
Fund balance at beginning of year	\$ 845,083	\$ 845,083	\$ 845,083
Fund balance at end of year	\$ 1,061,390	\$ 621,156	\$ 657,545

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*

Board of Directors of
Pinellas Preparatory Academy
Largo, 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 and the aggregate remaining fund information of Pinellas Preparatory Academy (the “School”) as of, and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements and have issued our report thereon dated September 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or, detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We issued a separate management letter dated September 30, 2020 pursuant to Chapter 10.850, Rules of the Auditor General.

Purpose of this report

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

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, 2020



MANAGEMENT LETTER

Board of Directors of
Pinellas Preparatory Academy
Largo, Florida

Report on the Financial Statements

We have audited the financial statements of Pinellas Preparatory Academy, Florida as of and for the year ended June 30, 2020 and have issued our report thereon dated September 30, 2020.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 30, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no findings and recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854.(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity is Pinellas Preparatory Academy, 7171.

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

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

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendation to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

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

Additional Matters

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

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 Pinellas 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.



Coral Gables, Florida
September 30, 2020

CERTIFIED PUBLIC ACCOUNTANTS