

**PINEAPPLE COVE CLASSICAL ACADEMY AT
WEST MELBOURNE, INC.**

BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position (Deficit)	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet – Governmental Funds To the Statement of Net Position (Deficit)	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15-28
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual-	
General Fund	30
Debt Service Fund	31
Capital Projects Fund	32
Capital Outlay Fund	33
Note to Required Supplementary Information	34
COMPLIANCE INFORMATION	
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>	36-37
Management letter	38-39
Management Findings, Recommendations, and Responses	40

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pineapple Cove Classical Academy at West Melbourne, Inc.
West Melbourne, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Pineapple Cove Classical Academy at West Melbourne, Inc. (the "School") a Charter School and component unit of the District School Board of Brevard County, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements 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 the 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2021, and the results of its operations for the year then ended, and is not intended to be a complete presentation of the District.

Prior Period Adjustment

As discussed in Note G to the financial statements, beginning net position has been decreased by \$59,665 as a result of food service revenues received in the prior year by the School that was due to a related school. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2021 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

McDonough CPA Solutions, PA

September 28, 2021

Rockledge, Florida

Management's Discussion and Analysis

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

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transitions, events, and conditions, it should be considered in conjunction with the Basic Financial Statements found starting on page 9.

Financial Highlights

- The School's overall net position increased by \$182,599.
- Total ending unrestricted net position was \$2,351,324.
- The School had total expenses for the year of \$6,195,243, compared to program and general revenues of \$6,377,842. Also, the School had nonoperational revenues of \$495,000 for paycheck protection program forgiveness.
- During the current fiscal year, the School issued 2020 series bonds \$11,235,000 for the construction of the high school facility.
- The year ended June 30, 2021 was the School's second year of instruction during which the School educated 647 students, serving grades K-5, compared to 597 students for the prior year.

Overview of the Basic Financial Statements

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

Government-wide Financial Statements. The first financial statement is the Statement of Net Position (Deficit). This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid, net position, the difference between assets and liabilities, can be used to measure the School's financial position.

Management's Discussion and Analysis (continued)

Government-wide Financial Statements (continued)

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements. Following the government-wide financial statements are the fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The School maintains three individual governmental funds, the General Fund, Special Revenue Fund, and Debt Service Fund. These funds are considered to be major funds and, accordingly, they are separately displayed.

Governmental funds. Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

The School adopts an annual appropriated budget for its operations. Budgetary comparison statements with required notes have been provided to demonstrate compliance with this budget and can be found on the table of contents.

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

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

Government-Wide Financial Analysis: As noted earlier, net position may serve, over time, as a useful indicator of the School's financial position. In the case of the School, liabilities exceeded assets by \$1,780,897 at June 30, 2021, compared to \$1,963,496 at June 30, 2020.

Management’s Discussion and Analysis (continued)

Government-Wide Financial Analysis (continued): Comparison of the condensed statement of net position (deficit) and the statement of activities are provided below.

The School’s net position (deficit) was as follows:

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
ASSETS			
Current assets	\$ 6,275,788	\$ 782,767	\$ 5,493,021
Capital assets - net	16,218,740	11,282,820	4,935,920
Total assets	<u>22,494,528</u>	<u>12,065,587</u>	<u>10,428,941</u>
LIABILITIES			
Current liabilities	564,547	278,633	285,914
Noncurrent liabilities	23,710,878	13,750,450	9,960,428
Total liabilities	<u>24,275,425</u>	<u>14,029,083</u>	<u>10,246,342</u>
NET POSITION			
Net investment in capital assets, net of related debt	(7,642,138)	(1,972,630)	(5,669,508)
Restricted for debt service	3,509,917	358,794	3,151,123
Unrestricted	2,351,324	(349,660)	2,700,984
Total net position	<u>\$ (1,780,897)</u>	<u>\$ (1,963,496)</u>	<u>\$ 182,599</u>

Current assets increase was mostly due to the collection of cash proceeds for the issuance of bonds and current year timing of collections from receipts related to grants. Capital assets, net increase was due to the construction of additional educational facilities offset by the current year depreciation expense. Current liabilities increase was mainly due to the current portion of bonds payable and accrued interest. Noncurrent liabilities increase was due to the long-term portion of 2021A-C educational facilities revenue bonds. Net investment of capital assets decrease was due to the issuance of 2021A-C educational facilities revenue bonds debt, both current portion and long-term. Restricted for debt services increase was due to the proceeds from bonds less construction costs and transfers to the debt service funds.

Management’s Discussion and Analysis (continued)

The School’s change in net position was as follows:

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Revenues			
Program revenues			
Charges for services	\$ 407,115	\$ 330,351	\$ 76,764
Operating grants and contributions	209,655	6,019	203,636
Capital grants and contributions	533,128	-	533,128
General revenues	4,732,944	4,484,151	248,793
PPP loan forgiveness	495,000	-	495,000
	<u>\$ 6,377,842</u>	<u>\$ 4,820,521</u>	<u>\$ 1,062,321</u>

Charges for service increase was due to fees charged for before/aftercare service and school lunches for students. Operating grants and contributions increase was mostly due to the educational and secondary school emergency relief fund in relationship to the CARES act. Capital grants and contributions increase was due to capital outlay funding and sales surtax. General revenue increase was mainly due to increased FEFP revenues related to student enrollment and teacher salary allocation related to state mandated teacher salary increases. PPP loan forgiveness increased due to the recognition of revenues for the School meeting eligibility requirements of the paycheck protection program.

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Expenses:			
Basic instruction	\$ 2,599,398	2,220,333	\$ 379,065
Exceptional instruction	239,073	206,088	32,985
Staff development	-	4,900	(4,900)
Guidance services	110,862	-	110,862
Instructional technology	36,258	34,969	1,289
School administration	876,971	928,025	(51,054)
Facilities	458,264	-	458,264
Food services	229,111	148,151	80,960
Operation of plant	625,386	510,145	115,241
Maintenance	-	4,488	(4,488)
Community service	175,663	173,191	2,472
Debt service	844,257	930,677	(86,420)
	<u>6,195,243</u>	<u>5,160,967</u>	<u>1,034,275</u>
Changes in net position	182,599	(340,446)	523,045
Net position at July 1, 2020, beginning	(1,903,831)	(1,623,050)	(280,781)
Prior period adjustment	(59,665)	-	(59,665)
Net position at July 1, 2020, restated	<u>(1,963,496)</u>	<u>(1,623,050)</u>	<u>(340,446)</u>
Net position at June 30, 2021	<u>\$ (1,780,897)</u>	<u>\$ (1,963,496)</u>	<u>\$ 182,599</u>

Management’s Discussion and Analysis (continued)

Basic instruction increase was due to increases in salary and benefits related to student enrollments and state mandated teacher salary increases, purchases for computers and software, and material and supplies. Guidance services increase was due to salary and benefits related to student enrollments and state mandated teacher salary increases. School administration decreased mostly due to decreases in contracted services. Facilities increased due to the issuance costs of the 2021 facilities revenues bonds and the construction of additional educational facilities. Food services increased mostly due to additional salaries for food services personnel and benefits to service additional students and supplies and materials for lunches. Operations of plant increased due to salary and benefits related to student enrollments and state mandated teacher salary increases, other purchased services, material and supplies, and capital outlay purchases. Debt services decreased due to current year debt issuance costs related to 2021A-C bonds and cost of issuances compared to prior year.

Governmental Activities. The governmental activities generated \$1,149,898 in program revenues and \$5,227,944 of general revenues with nonoperational revenues of \$495,000 for paycheck protection program loan forgiveness, and incurred \$6,195,243 of program expenses. This resulted in \$182,599 increase in net position (deficit).

The School's Individual Funds

General Fund. The fund balance of the General Fund increased by \$654,257 from \$205,005 to \$859,262.

Debt Service Fund. The fund balance of the Debt Service Fund increased by \$1,381,975 from \$358,794 to \$1,740,769, which includes transfers of \$3,085,375.

Capital Projects Fund. The fund balance of the Capital Project Fund increased by \$3,261,210 from \$0 to \$3,261,210, which includes transfers of (\$2,552,247).

Capital Outlay Fund. The fund balance of the Capital Outlay Fund remained at \$-0- which means all capital outlay revenues were funded and spent during the same period.

Other Governmental Funds. The fund balance of the Other Governmental Funds was restated due to a prior period adjustment in the amount of (\$59,665). During the year, the revenue exceed the expenses by \$59,665 for a remaining fund of \$-0-.

General Fund Budgetary Highlights

The general fund budget for the fiscal year ended June 30, 2021, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the School revised its general fund budget several times. For the fiscal year ended June 30, 2021, the actual expenditures were equal to the final budget. The budgetary information can be found listed on the table of contents in this report.

Management's Discussion and Analysis (continued)

Capital Assets and Debt Administration

Capital Assets. The School's investment in capital assets, net of related debt for its governmental activities as of June 30, 2021, amounts to (\$7,642,138) (net of accumulated depreciation). This investment in capital assets includes building and equipment, furniture, fixtures and equipment, and information technology equipment. Additional information on the School's Capital assets can be found in Note B of the Notes to the Financial Statements.

Debt Administration. The School financed the construction of its facilities through issuance of 2018A and 2018B revenue bonds. The bonds mature during the years ended June 2024 and 2054, respectively, and require monthly principal and interest payments. The School issued \$11,235,000 in educational facilities revenue bonds series A-C to construct a new facility for grades 9-12. Additional information on the School's long-term debt can be found in Note C of the Notes to Financial Statements.

Economic Factors

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to increase from 647 students in 2020/2021 to 866 students for the 2021/2022 school year.

Contacting the School's Financial Management

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kelly Gunter, Pineapple Cove Classical Academy at West Melbourne, Inc., 3455 Norfolk Pkwy, West Melbourne, Florida 32904.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
STATEMENT OF NET POSITION (DEFICIT)
For the Year Ended June 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 752,093
Restricted cash	5,337,068
Due from other agencies	117,748
Prepaid expenses	61,399
Due from other schools	6,715
Deposits	765
	<hr/>
Total current assets	6,275,788

CAPITAL ASSETS

Capital assets not being depreciated:	
Land	950,000
Construction in progress	5,192,850
Capital assets, net of accumulated depreciation:	
Building and equipment	10,003,305
Furniture, fixtures and equipment	23,391
Information technology equipment	49,194
	<hr/>
Total capital assets, net	16,218,740
	<hr/>
Total assets	22,494,528

LIABILITIES AND NET POSITION

LIABILITIES

Accounts payable	\$ 60,888
Accrued payroll liabilities	284,311
Accrued interest	69,348
Long-term debt	
Due within one year	150,000
Due in more than one year	23,710,878
	<hr/>
Total liabilities	24,275,425

NET POSITION

Net investment in capital assets, net of related debt	(7,642,138)
Restricted for:	
Prepays	61,399
Deposits	765
Debt service	3,447,753
Unrestricted	2,351,324
	<hr/>
Total net position (deficit)	\$ (1,780,897)

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

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Basic instruction	\$ 2,599,398	\$ -	\$ 52,133	\$ -	\$ (2,547,265)
Exceptional instruction	239,073	-	-	-	(239,073)
Guidance services	110,862	-	-	-	(110,862)
Instructional technology	36,258	-	32,041	-	(4,217)
School administration	876,971	-	-	-	(876,971)
Facilities	458,264	-	-	533,128	74,864
Food services	229,111	186,367	64,511	-	21,767
Operation of plant	625,386	-	48,838	-	(576,548)
Community service	175,663	220,748	12,132	-	57,217
Debt service	844,257	-	-	-	(844,257)
Total governmental activities	\$ 6,195,243	\$ 407,115	\$ 209,655	\$ 533,128	\$ (5,045,345)
General revenues:					
					4,709,302
					23,642
					4,732,944
					495,000
					5,227,944
					182,599
					(1,903,831)
					(59,665)
					(1,963,496)
					\$ (1,780,897)

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

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash	\$ 752,093	\$ -	\$ -	\$ -	\$ -	\$ 752,093
Restricted cash	-	1,889,315	3,447,753	-	-	5,337,068
Due from other agencies	78,795	-	-	30,468	8,485	117,748
Due to other schools	6,715	-	-	-	-	6,715
Deposits	765	-	-	-	-	765
Prepaid expenses	61,399	-	-	-	-	61,399
Due from other funds	304,694	186,543	-	-	-	491,237
Total assets	<u>\$ 1,204,461</u>	<u>\$ 2,075,858</u>	<u>\$ 3,447,753</u>	<u>\$ 30,468</u>	<u>\$ 8,485</u>	<u>\$ 6,767,025</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 60,888	\$ -	\$ -	\$ -	\$ -	\$ 60,888
Accrued payroll liabilities	284,311	-	-	-	-	284,311
Accrued interest	-	69,348	-	-	-	69,348
Due to other funds	-	265,741	186,543	30,468	8,485	491,237
Total liabilities	<u>345,199</u>	<u>335,089</u>	<u>186,543</u>	<u>30,468</u>	<u>8,485</u>	<u>905,784</u>
FUND BALANCES						
Nonspendable						
Prepays	61,399	-	-	-	-	61,399
Deposits	765	-	-	-	-	765
Unassigned	797,098	1,740,769	3,261,210	-	-	5,799,077
Total fund balances	<u>859,262</u>	<u>1,740,769</u>	<u>3,261,210</u>	<u>-</u>	<u>-</u>	<u>5,861,241</u>
Total liabilities and fund balances	<u>\$ 1,204,461</u>	<u>\$ 2,075,858</u>	<u>\$ 3,447,753</u>	<u>\$ 30,468</u>	<u>\$ 8,485</u>	<u>\$ 6,767,025</u>

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

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION (DEFICIT)
For the Year Ended June 30, 2021

Total Fund balance - Governmental Funds		\$ 5,861,241
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	17,095,973	
Accumulated depreciation	<u>(877,233)</u>	16,218,740
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds.		(23,860,878)
Net Position of Governmental Activities		<u>\$ (1,780,897)</u>

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

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	General Fund	Debt Service	Capital Projects Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Federal passed through state and local	\$ -	\$ -	\$ -	\$ -	\$ 200,661	\$ 200,661
State passed through local school district	4,709,302	-	-	337,902	8,995	5,056,199
Other revenues	244,389	-	-	195,226	186,367	625,982
Total revenues	<u>4,953,691</u>	<u>-</u>	<u>-</u>	<u>533,128</u>	<u>396,023</u>	<u>5,882,842</u>
Expenditures						
Current:						
Basic instruction	2,515,404	-	-	-	52,133	2,567,537
Exceptional instruction	239,073	-	-	-	-	239,073
Guidance services	110,862	-	-	-	-	110,862
Instructional technology	4,217	-	-	-	32,041	36,258
School administration	876,971	-	-	-	-	876,971
Facilities	-	-	5,421,543	-	-	5,421,543
Food services	-	-	-	-	229,111	229,111
Operation of plant	351,479	-	-	-	48,838	400,317
Community service	163,531	-	-	-	12,132	175,663
Debt service	-	1,703,400	-	-	-	1,703,400
	<u>4,261,537</u>	<u>1,703,400</u>	<u>5,421,543</u>	<u>-</u>	<u>374,255</u>	<u>11,760,735</u>
Excess (deficiency) of revenues over (under) expenditures	692,154	(1,703,400)	(5,421,543)	533,128	21,768	(5,877,893)
Other financing sources and (uses)						
Proceeds from bonds	-	-	11,235,000	-	-	11,235,000
Transfers in	-	3,085,375	-	-	37,897	3,123,272
Transfers out	(37,897)	-	(2,552,247)	(533,128)	-	(3,123,272)
Total other financing sources and (uses)	<u>(37,897)</u>	<u>3,085,375</u>	<u>8,682,753</u>	<u>(533,128)</u>	<u>37,897</u>	<u>11,235,000</u>
Net change in fund balance	654,257	1,381,975	3,261,210	-	59,665	5,357,107
Fund balances at July 1, 2020, beginning	205,005	358,794	-	-	-	563,799
Prior period adjustment	-	-	-	-	(59,665)	(59,665)
Fund balances at July 1, 2020, restated	<u>205,005</u>	<u>358,794</u>	<u>-</u>	<u>-</u>	<u>(59,665)</u>	<u>504,134</u>
Fund balances at June 30, 2021	<u>\$ 859,262</u>	<u>\$ 1,740,769</u>	<u>\$ 3,261,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,861,241</u>

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

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Net Change in Fund Balances - Governmental Funds \$ 5,357,107

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets increased net position.

Capital outlay	5,241,490	
Provision for depreciation	<u>(305,570)</u>	4,935,920

The issuance of long-term debt (e.g. bonds) provide current fiscal resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds.

Proceeds from issuance of bonds	(11,235,000)	
PPP loan forgiveness	495,000	
Principal payment on long-term debt	140,000	
Bond discount, net of amortization	<u>489,572</u>	(10,110,428)

Change in Net Position - Governmental Activities		<u><u>\$ 182,599</u></u>
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The accompanying notes are an integral part of this financial statement.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Pineapple Cove Classical Academy at West Melbourne, Inc. is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The not-for-profit was incorporated during July 2016 and began conducting business as of June 2017 as Pineapple Cove Classical Academy – North Campus, Inc. (the “School”), which is a component unit of the School District of Brevard County, Florida (the “District”). The governing body of the School is the not-for-profit corporation's Board of Directors.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Brevard County School Board (the “District”). The current charter is effective until June 30, 2022 and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

2. Government-wide financial statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities. Any internal activity has been eliminated from the government-wide financial statements.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

2. Government-wide financial statements (continued)

The statement of net position (deficit) reports the School's financial position as of the end of the fiscal year. In this statement, the School's net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues, direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, other items not properly included among program revenues are reported instead as general revenues.

3. Fund financial statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The following funds are used by the School:

General Fund - the general fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Debt Service Fund – to account for the resources accumulated and payments made for principal and interest on the revenue bonds.

Capital Projects Fund – to account for the financial resources that are restricted, committed or assigned to expenditures for capital outlay.

Capital Outlay Fund – in accordance with guidelines established by the Brevard County District School Board. This fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

In the accompanying fund financial statements, the general fund, debt service fund, capital projects fund and capital outlay fund are considered to be major funds and, therefore, are separately displayed.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

4. Measurement focus and basis of accounting

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 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 School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other items are considered to be measurable and available only when cash is received.

5. Cash

Cash consists of deposits in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2021, there was \$505,884 held in excess of FDIC insurance coverage. The School has no history of loss due to exceeding coverage limitations. The School has no policy regarding deposit custodial credit risk.

6. Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements. Prepaid assets are reported as "non-spendable" in the funds financial statements to indicate that prepaids do not represent available expendable resources.

7. Capital assets and depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$2,000 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

7. Capital assets and depreciation (continued)

Asset Class	Estimated Useful Lives
Building and equipment	10-50
Furniture, fixtures and equipment	5
Information technology equipment	5

8. Accrued payroll liabilities

Accrued payroll includes accrued payroll related expenses including unpaid vacation and sick time. Accrued payroll is recognized in the period the expenses are incurred for payroll.

9. Restricted assets

Certain proceeds of the School's revenue bonds as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position (deficit) and balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The bond fund is used to account for the payment of principal and interest as these payments become due. The project fund is used to pay for issuing expenses and project costs. The debt service reserve fund is used to report resources set aside to provide additional security for the payment of principal and interest on the bonds as these payments become due.

10. Revenue recognition

Student funding is provided by the State of Florida through the School District. Such funding is recorded as State passed through local school district in the government-wide financial statements and fund financial statements and is net of the 5% administration fee retained by the School District. This funding is received on a prorated basis over the twelve month period and is adjusted for changes in full-time equivalent ("FTE") student population.

11. Revenue sources

Revenues for current operations are 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 Florida Statutes, the School reports the number of FTE students and related data to the District. Under the provisions of Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational Finance Program and the actual weighted FTE students reported by the School during the designated full-time equivalent student survey periods. The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

12. Long-term liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

13. Net position (deficit)

Net position (deficit) represents the difference between assets and liabilities and is reported in three categories as hereafter described. *Net investment in capital assets*, net of related debt, represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets.

Net position is reported as *restricted* when there are legal limitations imposed on its use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net position is net position that does not meet the definition of the classification previously described. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

14. Fund equity

Governmental funds report separate classifications of fund balance.

Non-Spendable: The non-spendable fund balance classification 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: The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

14. Fund Equity (continued)

Assigned: Assigned fund balance is defined as amounts that are constrained by the intent of the School's Board of Directors to be used for specific purposes but are neither restricted nor committed. The School has given the authority to assign fund balance to the School's Principal. Assigned fund balance includes spendable fund balance amounts established by the Principal that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the Principal. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned: Unassigned fund balance is the residual classification for the general fund. It is the policy of the School to use restricted resources to the extent which they are available, then committed resources, followed by assigned resources. Once these are consumed, the School will then use unassigned resources. The School does not have a formal policy requiring a minimum fund balance.

15. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make various estimates. Actual results could differ from those estimates.

16. Transfers

The purpose of interfund transfers is to cover receipts and payments made from the general fund on behalf of the other funds.

17. Income taxes

Pineapple Cove Classical Academy at West Melbourne, Inc. is a charter school, which qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

17. Income taxes (continued)

Management has analyzed the School's various federal and state filing positions, including those pertaining to charter academy contracts and tax exempt status, and believes that its income tax filing positions and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The School remains subject to the examination by the Internal Revenue Service for the three years prior to June 30, 2021.

18. New GASB pronouncements

The GASB issued Statement No. 84, Fiduciary Activities, which establishes criteria for the identification of fiduciary activities and provides guidance on reporting those activities. An activity meeting the criteria should be reported in a fiduciary fund. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The new guidance is effective for fiscal year 2021. The School engages in no fiduciary activities.

The GASB issued Statement No. 87, Leases, which establishes new guidance for lease accounting for lessees and lessors and eliminates the classification of leases into operating or capital leases. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Lessees will recognize a lease liability and an intangible right to use lease asset. Lessors will recognize a lease receivable and a deferred inflow of resources. The new guidance is effective for fiscal 2022. The School is evaluating the effect of the new standard on its financial statements.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE B - CAPITAL ASSETS AND DEPRECIATION

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets, not depreciated				
Land	\$ 950,000	\$ -	\$ -	\$ 950,000
Construction in progress	-	5,192,850	-	5,192,850
Total capital assets, not depreciated	<u>950,000</u>	<u>5,192,850</u>	<u>-</u>	<u>6,142,850</u>
Capital assets depreciated:				
Building and equipment	10,745,179	48,640	-	10,793,819
Furniture, fixtures and equipment	47,504	-	-	47,504
Information technology equipment	111,800	-	-	111,800
Total capital assets depreciated	<u>10,904,483</u>	<u>48,640</u>	<u>-</u>	<u>10,953,123</u>
Less accumulated depreciation:				
Building and equipment	518,427	272,087	-	790,514
Furniture, fixtures and equipment	12,990	11,123	-	24,113
Information technology equipment	40,246	22,360	-	62,606
Total accumulated depreciation	<u>571,663</u>	<u>305,570</u>	<u>-</u>	<u>877,233</u>
Total capital assets, net	<u>\$ 11,282,820</u>	<u>\$ 4,935,920</u>	<u>\$ -</u>	<u>\$ 16,218,740</u>

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

Basic instruction	\$ 31,861
Operation of plant	<u>273,709</u>
	<u>\$ 305,570</u>

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE C - LONG-TERM DEBT

The following is a summary of changes in long-term obligations of the School for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due in 1 year
Revenue bonds:					
Series 2018A	\$ 13,580,000	\$ -	\$ 35,000	\$ 13,545,000	\$ 35,000
Series 2018B	480,000	-	105,000	375,000	115,000
Series 2020A	-	6,800,000	-	6,800,000	-
Series 2020B	-	4,030,000	-	4,030,000	-
Series 2020C	-	405,000	-	405,000	-
PPP loan	495,000	-	495,000	-	-
	<u>14,555,000</u>	<u>11,235,000</u>	<u>635,000</u>	<u>25,155,000</u>	<u>150,000</u>
Unamortized discount:					
Series 2018A	(707,542)	-	22,166	(685,376)	-
Series 2018B	(97,008)	-	24,748	(72,260)	-
Series 2020A	-	(340,000)	3,148	(336,852)	-
Series 2020B	-	(201,500)	1,866	(199,634)	-
	<u>(804,550)</u>	<u>(541,500)</u>	<u>51,928</u>	<u>(1,294,122)</u>	<u>-</u>
	<u>\$ 13,750,450</u>	<u>\$ 10,693,500</u>	<u>\$ 686,928</u>	<u>\$ 23,860,878</u>	<u>\$ 150,000</u>

The construction of the School's facility in 2018, was financed by the issuance of Series 2018A and 2018B bonds. Series 2018A totaled \$13,580,000 as an educational facilities revenue bond, maturing June 15, 2052, and carried interest of 6.25%. Series 2018B totaled \$480,000 as a taxable educational facilities revenue bond, maturing June 15, 2024, and carried interest of 7.75%.

The 2018 bond issuance included original issue discount and underwriter's discount totaling \$761,145 and \$156,855 for the Series 2018A and 2018B revenue bonds, respectively, which are not recognized in the fund level statements but are deferred and included in the government-wide statements against the face value of the debt. The bond discounts are amortized over the life of the debt through 2052 and 2024, respectively. Amortization expense of the discounts of \$46,914 for 2021 was charged against bond discount amortization. At June 30, 2021, the total amount of bond discount amortized was \$160,364.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE C - LONG-TERM DEBT (continued)

The construction of the School's facility in 2021, was financed by the issuance of Series 2020A and 2021B bonds. Series 2020A totaled \$6,800,000 as an educational facilities revenue bond, maturing June 15, 2056, and carried interest of 6.00%. Series 2020B totaled \$4,030,000 as an educational facilities revenue bond, maturing June 15, 2056, and carried interest of 6.625%. Series 2020C totaled \$405,000 as a taxable educational facilities revenue bond, maturing June 15, 2027, and carried interest of 7.750%.

The 2020 bond issuance included original issue discount totaling \$541,500 for the Series 2020A and 2020B revenue bonds, respectively, which are not recognized in the fund level statements but are deferred and included in the government-wide statements against the face value of the debt. The bond discounts are amortized over the life of the debt through 2057. Amortization expense of the discounts of \$5,014 for 2021 was charged against bond discount amortization. At June 30, 2021, the total amount of bond discount amortized was \$5,014.

The debt service requirements for the School's bonds are expected to be funded from operating revenues received from the State of Florida through the District. As mentioned in Note A-11, funding is based upon actual weighted FTE students reported by the schools during the designated FTE student survey periods.

Enrollment for the School during the 2020-2021 school year was 647 students. The number of students enrolled for the 2021-2021 school year is expected to increase.

On March 27, 2020, the Coronavirus Aid Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 outbreak. Under the CARES Act, the Paycheck Protection Program ("PPP") was established to provide assistance to small businesses with resources needed to maintain payroll and cover applicable overhead. On April 28, 2020, the School, through a financial institution, was approved for and received a loan in the amount of \$495,000 under this program. The proceeds of this loan were used by the School solely for the following transactions as set forth in Section 1102 of the CARES Act: (a) payments of "payroll costs", (b) cost related to the continuation of group healthcare benefits, during period of paid sick, medical or family leave and insurance premium, (c) employee salaries, commissions or similar compensation, (d) payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation), (e) payments on rent (including rent under a lease agreement), (f) utilities, and (g) interest on any other debt obligation that were incurred before the covered period. The School met the terms of forgiveness as of October 18, 2020 in the amount of \$495,000. See Note H regarding SBA forgiveness of this loan.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE C - LONG-TERM DEBT (continued)

The annual requirements to amortize all debt outstanding as of June 30, 2021 are as follows:

Fiscal year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 150,000	\$ 1,582,001	\$ 1,732,001
2023	165,000	1,570,901	1,735,901
2024	175,000	1,558,714	1,733,714
2025	315,000	1,545,751	1,860,751
2026	335,000	1,524,188	1,859,188
2027-2031	1,970,000	7,264,533	9,234,533
2032-2036	2,650,000	6,569,382	9,219,382
2037-2041	3,585,000	5,632,407	9,217,407
2042-2046	4,855,000	4,364,983	9,219,983
2047-2051	6,570,000	2,648,251	9,218,251
2052-2057	4,385,000	1,092,219	5,477,219
	<u>\$ 25,155,000</u>	<u>\$ 35,353,330</u>	<u>\$ 60,508,330</u>

One area that demonstrates the School's future borrowing capability is its debt service coverage ratio. This ratio tests the debt coverage required with revenue available. The revenue bond loan agreement requires debt service coverage ratio of at least 1.10 to 1.00. For the year ended June 30, 2021, the debt service coverage ratio has been waived.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE D - CONCENTRATIONS

Revenue sources

As stated in Note A-11, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Source	Amount
School Board of Brevard County:	
FEFP	\$ 2,932,355
Class size	813,906
Discretionary millage	312,065
SAI	177,940
ESE guaranteed allocation	161,388
Emergency order funding adjustment	71,479
Discretionary compression	65,546
Instructional materials	46,891
Safe schools	40,973
Reading allocation	27,671
Mental health allocations	22,696
Funding compression allocation	7,678
Library media materials	3,119
Digital classroom	1,088
Proration allocation	(13,777)
Administrative fee	(90,166)
Subtotal	<u>4,580,852</u>
Teacher salary allocation	115,381
Florida teacher's lead program	11,857
Best and brightest teacher scholarship program	1,212
Total from the School District of Brevard County	<u>4,709,302</u>
Other revenue:	
Capital outlay funding	337,902
Before and aftercare	220,748
Sales surtax	195,226
Student lunch fees	186,367
Elementary and secondary school emergency relief fund	136,150
National school lunch program	64,511
Other local revenue	16,554
Educational FAC security grant	8,995
Miscellaneous local revenue	7,087
	<u>\$ 5,882,842</u>

The administration fee paid to the District during the year ended June 30, 2021, totaled \$90,166.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Management service contract

The School entered into a management service agreement with a management company in July 2017 to manage the School’s day to day activities. The agreement spans the length of the charter contract with the District, as noted in Note A-1. The agreement has been amended several times. The current contract terminates the earlier of June 30, 2022 or the termination date of the charter if the district chooses to terminate them. The contract can be extended past its termination date by the Board of Directors.

The management company shall be paid consistent with the approved annual budget and the scheduled fees per the contract. The fee paid to the management company is payable in monthly installments at a rate of \$607 per FTE used for purposes of the Florida Education Finance Program funding the School. Current year management fees charged to operations totaled \$393,068.

2. Lease obligations

The School leases its copiers and IT equipment under operating lease arrangements expiring at various dates through 2023 including monthly payments ranging between \$431 and \$1,040. Future minimum lease payments for these operating leases are as follows:

<u>Fiscal year ending June 30:</u>		
2022	\$	23,154
2023		21,860
2024		<u>1,498</u>
	\$	<u><u>46,512</u></u>

NOTE F - RELATED PARTY TRANSACTIONS

The School utilizes several third-party companies for operational and facility acquisition needs which are under common control and are related parties of the School due to relationships with the President and founder (the “President”) of the School.

1. Management company

A management company, which is controlled by the President, is responsible for organizing, developing, managing, staffing and operating the School. During the current year, the management company charged fees to the School for management services as described in Note E-1.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE F - RELATED PARTY TRANSACTIONS (continued)

2. Related charter school

The School has entered into various transactions including payroll, payroll related expenses, loans, employee health insurance, management fees, and other shared costs with a related school under common control. As of June 30, 2021, \$6,715 has been included in due from other school for purchase of capital assets and payment of shared payroll costs.

NOTE G – ADJUSTED TO BEGINNING FUND BALANCE

An adjustment was made to the beginning fund balance for the governmental funds - other governmental funds due to food service revenues received by the School in the prior year that was due to a related school in the amount of \$59,665. The beginning other governmental funds balance of \$0 has been decreased by \$59,665, to a restated beginning other governmental funds balance of (\$59,665) on the statement of revenues, expenditures, and changes in fund balance. In addition, the beginning net position (deficit) balance of (\$1,903,831) as previously reported, has been decreased by (\$59,665) to a restated beginning net position deficit) of (\$1,780,897) on the statement of activities.

NOTE H - SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 28, 2021, the date which the financial statements were available for issuance; and has determined that no material events occurred that would require additional disclosure in the financial statements except as follows:

The State of Florida issued emergency order 2021-EO-02 for the successful reopening of all state's public schools, and 2021-EO-01, which expended the statewide testing window to ensure that every student can safely complete their state assessments. In addition, the School is subject to the Brevard County Health Department requirements. In the event of a coronavirus outbreak within the School, campus classes may be cancelled and students will be required to take classes remotely. The virus could have negative effects on the School's financial position, results of operations and/or cash flows, the specific outcome is not ready determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

On September 8, 2021, the SBA forgave the School \$495,000 related to the paycheck protection program loan having met all eligibility requirements.

REQUIRED SUPPLEMENTARY INFORMATION

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State passed through local school district	\$ 4,766,699	\$ 4,709,302	\$ 4,709,302	\$ -
Other revenues	344,300	244,389	244,389	-
Total revenues	<u>5,110,999</u>	<u>4,953,691</u>	<u>4,953,691</u>	<u>-</u>
Expenditures				
Current:				
Basic instruction	2,388,146	2,515,404	2,515,404	-
Exceptional instruction	258,228	239,073	239,073	-
Guidance services	-	110,862	110,862	-
Instructional technology	27,480	4,217	4,217	-
School administration	1,171,276	876,971	876,971	-
Operation of plant	231,806	351,479	351,479	-
Community service	96,990	163,531	163,531	-
	<u>4,173,926</u>	<u>4,261,537</u>	<u>4,261,537</u>	<u>-</u>
Excess of revenues over expenditures	937,073	692,154	692,154	-
Other financing sources and (uses)				
Transfers in (out)	349,500	(37,897)	(37,897)	-
Total other financing sources and (uses)	<u>349,500</u>	<u>(37,897)</u>	<u>(37,897)</u>	<u>-</u>
Net change in fund balance	1,286,573	654,257	654,257	-
Fund balances at July 1, 2020	205,005	205,005	205,005	-
Fund balances at June 30, 2021	<u>\$ 1,491,578</u>	<u>\$ 859,262</u>	<u>\$ 859,262</u>	<u>\$ -</u>

See note to required supplementary information.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – DEBT SERVICE FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charter school capital outlay	\$ -	\$ -	\$ -	\$ -
Expenditures				
Debt service	1,025,950	1,703,400	1,703,400	-
Excess (deficiency) of revenues over (under) expenditures	(1,025,950)	(1,703,400)	(1,703,400)	-
Other financing sources				
Transfers in	667,156	3,085,375	3,085,375	-
Total other financing sources and (uses)	667,156	3,085,375	3,085,375	-
Net change in fund balance	(358,794)	1,381,975	1,381,975	-
Fund balance at July 1, 2020	358,794	358,794	358,794	-
Fund balance at June 30, 2021	<u>\$ -</u>	<u>\$ 1,740,769</u>	<u>\$ 1,740,769</u>	<u>\$ -</u>

See note to required supplementary information.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – CAPITAL PROJECTS FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charter school capital outlay	\$ -	\$ -	\$ -	\$ -
Expenditures				
Facilities	-	5,421,543	5,421,543	-
Excess (deficiency) of revenues over (under) expenditures	-	(5,421,543)	(5,421,543)	-
Other financing sources (uses)				
Proceeds from bonds	-	11,235,000	11,235,000	-
Transfers in (out)	-	(2,552,247)	(2,552,247)	-
Total other financing sources	-	8,682,753	8,682,753	-
Net change in fund balance	-	3,261,210	3,261,210	-
Fund balance at July 1, 2020	-	-	-	-
Fund balance at June 30, 2021	<u>\$ -</u>	<u>\$ 3,261,210</u>	<u>\$ 3,261,210</u>	<u>\$ -</u>

See note to required supplementary information.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – CAPITAL OUTLAY FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charter school capital outlay	<u>\$ 349,500</u>	<u>\$ 533,128</u>	<u>\$ 533,128</u>	<u>\$ -</u>
Other financial sources (uses)				
Transfer in (out)	<u>(349,500)</u>	<u>(533,128)</u>	<u>(533,128)</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance at July 1, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2021	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See note to required supplementary information.

PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

Annual budgets are adopted for the entire operations and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2021, have been amended according to Board procedures. Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and the special revenue fund for which a legally adopted budget exists.

COMPLIANCE INFORMATION

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

To the Board of Directors of
Pineapple Cove Classical Academy at West Melbourne, Inc.
West Melbourne, Florida

We have audited, 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, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Pineapple Cove Classical Academy at West Melbourne, Inc. (the "School") as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 28, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

McDonough CPA Solutions, PA

September 28, 2021
Rockledge, Florida

MANAGEMENT LETTER

To the Board of Directors of
Pineapple Cove Classical Academy at West Melbourne, Inc.
West Melbourne, Florida

Report on the Financial Statements

We have audited the financial statements of Pineapple Cove Classical Academy at West Melbourne, Inc. (the "School"), as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 28, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 28, 2021, 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. In that regard, there are no uncorrected findings to report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of Education of the entity are *Pineapple Cove Classical Academy at West Melbourne, Inc. (6554)*.

Financial Condition and Management

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

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

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

Transparency

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

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not 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 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 Brevard County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

McDonough CPA Solutions, PA

September 28, 2021
Rockledge, Florida

MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2021, there were no management finding, recommendations or responses.