

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

BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2021

**PM** PELLEGRINO &  
& MCFARLAND P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the General Fund, Capital Projects Fund and Agency Fund of Sarasota Academy of the Arts, Inc. (the Charter School), a Charter School and component unit of the School Board of Sarasota County, Florida, as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise Sarasota Academy of the Arts, Inc.'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.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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, the General Fund, Capital Projects Fund, and Agency Fund of Sarasota Academy of the Arts, Inc., as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 3, 2021, on our consideration of Sarasota Academy of the Arts, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sarasota Academy of the Arts, Inc.'s internal control over financial reporting and compliance.

*Pellegrino & McFarland, P.A.*

Sarasota, Florida  
September 3, 2021

**SARASOTA ACADEMY OF THE ARTS, INC.**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2021

The following pages represent Management's Discussion and Analysis (MD&A) of Sarasota Academy of the Arts, Inc. (the Charter School). It depicts and reviews the financial picture and activities of the Charter School as of and for the year ended June 30, 2021.

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

Using the Financial Statements

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

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

Financial Highlights

**Statement of Net Position**

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Current assets	\$ 743,107	\$ 354,551	\$ 388,556
Noncurrent assets	<u>404,010</u>	<u>774,746</u>	<u>(370,736)</u>
Total Assets	<u>\$ 1,147,117</u>	<u>\$ 1,129,297</u>	<u>\$ 17,820</u>
Current liabilities	\$ 118,426	\$ 70,734	\$ 47,692
Noncurrent liabilities	<u>1,650</u>	<u>260,240</u>	<u>(258,590)</u>
Total Liabilities	<u>\$ 120,076</u>	<u>\$ 330,974</u>	<u>\$ (210,898)</u>
Net investment in capital assets	\$ 204,010	\$ 411,278	\$ (207,268)
Restricted	200,000	99,761	100,239
Unrestricted	<u>623,031</u>	<u>287,284</u>	<u>335,747</u>
Total Net Position	<u>\$ 1,027,041</u>	<u>\$ 798,323</u>	<u>\$ 228,718</u>

Total assets increased by 2% due lower expenses that lead to an increase in the balance of cash and cash equivalents at year end.

Total liabilities decreased by 64% due primarily to the principal payments on the note payable and a reduction in unpaid invoices at year end.

**SARASOTA ACADEMY OF THE ARTS, INC.**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2021

**Statement of Activities**

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues			
Program revenues			
Charges for services	\$ 15,486	\$ 133,772	\$ (118,286)
Operating grants and contributions	5,519	28,495	(22,976)
General revenues			
Florida education finance program	1,910,939	1,980,997	(70,058)
Other state revenue	103,607	110,803	(7,196)
Other local revenue	3,007	21,797	(18,790)
Restricted investment earnings	214	127	87
Total revenues	<u>2,038,772</u>	<u>2,275,991</u>	<u>(237,219)</u>
Expenditures			
Instruction	1,018,913	1,229,924	(211,011)
Exceptional instruction	115,230	45,669	69,561
Instructional support services	-	1,110	(1,110)
Instructional staff training services	535	1,371	(836)
Instruction-related technology	-	2,222	(2,222)
Board	14,054	15,501	(1,447)
General administration	36,353	37,323	(970)
School administration	241,874	310,145	(68,271)
Facility services – non-capitalized	13,254	25,012	(11,758)
Fiscal services	29,267	32,374	(3,107)
Food services	200	2,204	(2,004)
Central services	248	2,058	(1,810)
Student transportation services	48,537	39,385	9,152
Operation of plant	199,078	243,984	(44,906)
Maintenance of plant	26,303	45,177	(18,874)
Administrative technology	51,526	45,554	5,972
Community services	11,410	22,715	(11,305)
Debt service	3,272	15,092	(11,820)
Total expenditures	<u>1,810,054</u>	<u>2,116,820</u>	<u>(306,766)</u>
Change in net position	228,718	159,171	69,547
Net position - beginning	<u>798,323</u>	<u>639,152</u>	<u>159,171</u>
Net position - ending	<u>\$ 1,027,041</u>	<u>\$ 798,323</u>	<u>\$ 228,718</u>

Total revenues decreased by 10%. Decrease in revenue was due to COVID-19 restrictions not allowing for as many clubs and performing art activities. The Capital Outlay decreased since the payment was based on actual student count and not protected under the governor's emergency order keeping the student count the same.

Total expenditures decreased 15%. Decreases were operation of plant and salaries/staffing. The largest concentration of expenses during the year were for the purposes of instruction (59%), school administration (15%), and operation of plant (18%).

**SARASOTA ACADEMY OF THE ARTS, INC.**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2021

**Capital Assets and Long-term Debt Administration**

Below is a schedule of the Charter School's capital assets as of June 30, 2021 and 2020. See Note 4 to the financial statements for a detail of the activity during the fiscal year and other related information.

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Capital assets, not being depreciated			
Land	\$ -	\$ 474,603	\$ (474,603)
Capital assets, being depreciated			
Building and improvements	247,318	216,173	31,145
Furniture, fixtures and equipment	86,811	83,131	3,680
Motor vehicles	31,287	31,287	-
Property under capital leases	<u>-</u>	<u>5,630</u>	<u>(5,630)</u>
Total capital assets being depreciated	365,416	336,221	29,195
Less accumulated depreciation	<u>161,406</u>	<u>135,839</u>	<u>25,567</u>
Total capital assets being depreciated, net	<u>204,010</u>	<u>200,382</u>	<u>3,628</u>
Capital assets, net	<u>\$ 204,010</u>	<u>\$ 674,985</u>	<u>\$ (470,975)</u>

Capital asset changes during the year were due to the annual depreciation of current capital assets and the sale of land.

**Long-term Debt**

Below is a schedule of outstanding debt as of June 30, 2021 and 2020. See Note 5 to the financial statements for a detail of changes during the fiscal year and specific debt provisions.

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Notes payable	\$ <u>-</u>	\$ <u>263,707</u>	\$ <u>(263,707)</u>

Changes in debt during the year included payment of principal of \$263,707.

**Economic Factors and the Budget**

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

**SARASOTA ACADEMY OF THE ARTS, INC.**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2021

**Request for Information**

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

**For further information, contact;**

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



**SARASOTA ACADEMY OF THE ARTS, INC.**

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 735,048
Prepaid items	8,059
Total Current Assets	<u>743,107</u>
Noncurrent Assets	
Restricted cash and cash equivalents	200,000
Depreciable capital assets, net	204,010
Total Noncurrent Assets	<u>404,010</u>
Total Assets	<u><u>\$ 1,147,117</u></u>
<b>LIABILITIES AND NET POSITION</b>	
Current Liabilities	
Accounts payable	\$ 16,310
Accrued payroll	102,116
Total Current Liabilities	<u>118,426</u>
Noncurrent Liabilities	
Compensated absences	<u>1,650</u>
Total Liabilities	120,076
Net position	
Net investment in capital assets	204,010
Restricted	200,000
Unrestricted	623,031
Total Net Position	<u>1,027,041</u>
Total Liabilities and Net Position	<u><u>\$ 1,147,117</u></u>

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

**SARASOTA ACADEMY OF THE ARTS, INC.**

Statement of Activities  
For the Year Ended June 30, 2021

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Primary government:					
Governmental activities					
Instruction	\$ 1,018,914	\$ -	\$ -	\$ 45,665	\$ (973,249)
Exceptional instruction	115,230	-	5,519	-	(109,711)
Instructional staff training services	535	-	-	-	(535)
Board	14,054	-	-	-	(14,054)
General administration	36,353	-	-	-	(36,353)
School administration	241,874	-	-	-	(241,874)
Facility services - non-capitalized	13,254	-	-	-	(13,254)
Fiscal services	29,267	-	-	-	(29,267)
Food services	200	-	-	-	(200)
Central services	248	-	-	-	(248)
Pupil transportation	48,537	-	-	-	(48,537)
Operation of plant	235,378	-	36,300	-	(199,078)
Maintenance of plant	26,303	-	-	-	(26,303)
Administrative technology	51,526	-	-	-	(51,526)
Community services	11,410	15,486	-	-	4,076
Debt service	3,272	-	-	-	(3,272)
	\$ 1,846,355	\$ 15,486	\$ 41,819	\$ 45,665	\$ (1,743,385)
General revenues:					
Florida education finance program					1,865,274
Other state revenue					103,607
Other local revenue					3,008
Restricted investment earnings, net of fees					214
					1,972,103
Change in net position					228,718
Net position - beginning					798,323
					\$ 1,027,041

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

**SARASOTA ACADEMY OF THE ARTS, INC.**

## Balance Sheet - Governmental Funds

June 30, 2021

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 735,048	\$ -	\$ 735,048
Prepaid items	8,059	-	8,059
Total Current Assets	743,107	-	743,107
Noncurrent Assets			
Restricted cash and cash equivalents	200,000	-	200,000
Total Assets	<u>\$ 943,107</u>	<u>\$ -</u>	<u>\$ 943,107</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Current Liabilities			
Accounts payable	\$ 16,310	\$ -	\$ 16,310
Accrued payroll	102,116	-	102,116
Total Liabilities	118,426	-	118,426
Fund Balance			
Nonspendable	8,059	-	8,059
Restricted	200,000	-	200,000
Assigned	-	-	-
Unassigned	616,622	-	616,622
Total Fund Balance	824,681	-	824,681
Total Liabilities and Fund Balance	<u>\$ 943,107</u>	<u>\$ -</u>	<u>\$ 943,107</u>

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

**SARASOTA ACADEMY OF THE ARTS, INC.**  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
 June 30, 2021

		<u>Primary Government</u>
Total Fund Balance - Governmental Funds		<u>\$ 824,681</u>
<p>Amounts reported for governmental activities in the statement  of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial  resources and, therefore, are not reported in the governmental funds.</p>		
Capital assets	\$ 365,417	
Less accumulated depreciation	<u>(161,407)</u>	204,010
<p>Noncurrent liabilities are not due and payable in the current period  and, therefore, are not reported in the governmental funds.</p>		
Compensated absences		<u>(1,650)</u>
Net Position of Governmental Activities		<u><u>\$ 1,027,041</u></u>

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

**SARASOTA ACADEMY OF THE ARTS, INC.**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2021

	General Fund	Capital Projects Fund	Total Primary Government
<b>Revenues</b>			
Federal through state	\$ 13,814	\$ -	\$ 13,814
State	1,654,354	95,313	1,749,667
Local	329,776	-	329,776
Investment income	214	-	214
	<u>1,998,158</u>	<u>95,313</u>	<u>2,093,471</u>
<b>Total revenues</b>			
<b>Expenditures</b>			
<b>Education</b>			
Basic instruction	1,015,677	-	1,015,677
Exceptional instruction	115,230	-	115,230
Instructional staff training services	535	-	535
Board	14,054	-	14,054
General administration	44,067	-	44,067
School administration	241,111	-	241,111
Fiscal services	28,789	-	28,789
Food services	200	-	200
Central services	248	-	248
Pupil transportation	43,379	-	43,379
Operation of plant	235,378	-	235,378
Maintenance of plant	26,303	-	26,303
Administrative technology	51,039	-	51,039
Community services	11,410	-	11,410
Capital outlay	31,145	-	31,145
<b>Debt service</b>			
Principal	263,707	-	263,707
Interest	3,272	-	3,272
	<u>2,125,544</u>	<u>-</u>	<u>2,125,544</u>
<b>Total expenditures</b>			
Excess (deficit) of revenues over expenditures	(127,386)	95,313	(32,073)
<b>Other financing sources (uses)</b>			
Transfer between funds	95,313	(95,313)	-
<b>Special items</b>			
Proceeds from sale of capital assets	456,208	-	456,208
Net change in fund balance	424,135	-	424,135
Fund balance at beginning of year	400,546	-	400,546
Fund balance at end of year	<u>\$ 824,681</u>	<u>\$ -</u>	<u>\$ 824,681</u>

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

**SARASOTA ACADEMY OF THE ARTS, INC.**  
 Reconciliation of the Statement of Revenues, Expenditures and Changes  
 in Fund Balance of the Governmental Funds to Statement of Activities  
 For the Year Ended June 30, 2021

Net Change in Fund Balance - Governmental Funds \$ 424,135

Amounts reported in the statement of activities are different because:

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

Capital outlay expenditures	\$ 31,145	
Less current year depreciation	<u>(27,517)</u>	3,628

The loss on disposal of capital assets during the current period is reported in the statement of activities. In the government funds, the costs of these assets was recognized as an expenditure in the year purchased. Thus the change in net position differs from the change in fund balances by the undepreciated cost of the disposed assets. (474,603)

Repayment of principal is an expenditure in the governmental funds, but, the repayment reduces noncurrent liabilities in the statement of net position.

Principal repayments	263,707
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In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for leave used. The net amount of vacation and sick leave earned in excess of the amount used in the current period is as follows:

Current year accrual of compensated absences	<u>11,851</u>
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Change in Net Position - Governmental Activities	<u>\$ 228,718</u>
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The accompanying notes are an integral part of these financial statements.

**SARASOTA ACADEMY OF THE ARTS, INC.**  
Statement of Fiduciary Net Position - Fiduciary Funds  
June 30, 2021

	<u>Agency Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	<u>\$ 12,969</u>
Total Assets	<u><u>\$ 12,969</u></u>
LIABILITIES	
Current Liabilities	
Due to PTO	<u>\$ 12,969</u>
Total Liabilities	<u><u>\$ 12,969</u></u>

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

# **SARASOTA ACADEMY OF THE ARTS, INC.**

## Notes to the Basic Financial Statements

June 30, 2021

### NOTE 1 – ORGANIZATION

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

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

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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



# SARASOTA ACADEMY OF THE ARTS, INC.

## Notes to the Basic Financial Statements

June 30, 2021

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

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

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

Budgetary Basis of Accounting: The annual budget was adopted on the modified accrual basis of accounting. The level of budgetary control is at the entity level. All annual appropriations lapse at fiscal year-end. For fiscal year ended June 30, 2021, expenses exceeded appropriations by \$32,073. Revisions to the annual budget are approved by the Board.

**SARASOTA ACADEMY OF THE ARTS, INC.**

Notes to the Basic Financial Statements

June 30, 2021

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

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

**Receivables:** All amounts due from the School Board and other receivables are deemed collectible. Therefore, no allowance has been recorded as of June 30, 2021.

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

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

## SARASOTA ACADEMY OF THE ARTS, INC.

### Notes to the Basic Financial Statements

June 30, 2021

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

# SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2021

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

- Committed
- Assigned
- Unassigned

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

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

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

Income Taxes: The Charter School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The Charter School's status as a tax exempt not-for-profit entity is considered a tax position subject to reporting requirements under FASB Accounting Standards Codification 740-10. Entities are required to examine all tax positions and determine if it is more likely than not that the positions would be sustained upon examination by taxing authorities. The Charter School has not recorded any accruals for uncertain income tax positions at June 30, 2021.

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

**SARASOTA ACADEMY OF THE ARTS, INC.**

Notes to the Basic Financial Statements

June 30, 2021

**NOTE 3 – CASH AND CASH EQUIVALENTS**

**Cash:** Custodial credit risk is the risk that in the event of bank failure, the Charter School’s deposits may not be returned. The Charter School can mitigate this risk by depositing funds in financial institutions insured by Federal depository insurance. The deposits are insured by the FDIC up to \$250,000 per bank institution. At June 30, 2021, the carrying amount of the Charter School’s deposits was \$948,017 and bank balances were \$944,680. The Charter School had uninsured balances of \$444,680 as of June 30, 2021.

**Restricted Cash:** At June 30, 2021, the Charter School reported restricted cash in the amount of \$200,000.

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

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2021</u>
Capital assets, not being depreciated				
Land	\$ 474,603	\$ -	\$ 474,603	\$ -
Capital assets, being depreciated				
Buildings and improvements	216,173	31,145	-	247,318
Furniture, fixtures and equipment	83,131	5,630	1,950	86,811
Motor vehicles	31,287	-	-	31,287
Property under capital leases	<u>5,630</u>	<u>-</u>	<u>5,630</u>	<u>-</u>
Total capital assets being depreciated	<u>336,221</u>	<u>36,775</u>	<u>7,580</u>	<u>365,416</u>
Less accumulated depreciation				
Buildings and improvements	58,329	11,949	-	70,278
Furniture, fixtures and equipment	54,775	16,040	1,950	68,865
Motor vehicles	17,105	5,158	-	22,263
Property under capital leases	<u>5,630</u>	<u>-</u>	<u>5,630</u>	<u>-</u>
Total accumulated depreciation	<u>135,839</u>	<u>33,147</u>	<u>7,580</u>	<u>161,406</u>
Total capital assets being depreciated, net	<u>200,382</u>	<u>3,628</u>	<u>-</u>	<u>204,010</u>
Capital assets, net	<u>\$ 674,985</u>	<u>\$ 3,628</u>	<u>\$ 474,603</u>	<u>\$ 204,010</u>

**SARASOTA ACADEMY OF THE ARTS, INC.**

Notes to the Basic Financial Statements

June 30, 2021

NOTE 4 – CAPITAL ASSETS – CONTINUED

Depreciation expense in the amount of \$27,517 for the year ended June 30, 2021, was allocated to the following functions:

Instruction	\$	7,863
School administration		763
Facilities acquisition and construction		13,254
Fiscal services		479
Student transportation services		<u>5,158</u>
Total	\$	<u>27,517</u>

NOTE 5 – NONCURRENT LIABILITIES

Activity for noncurrent liabilities for the year ended June 30, 2021 was as follows:

	Balance July 1, <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	Due Within <u>One Year</u>	Balance June 30, <u>2021</u>
Governmental activities					
Compensated absences	\$ 13,501	\$ -	\$ 11,851	\$ -	\$ 1,650
Notes payable	<u>263,707</u>	<u>-</u>	<u>263,707</u>	<u>-</u>	<u>-</u>
Totals	\$ <u>277,208</u>	\$ <u>-</u>	\$ <u>275,558</u>	\$ <u>-</u>	\$ <u>1,650</u>

Long-Term Debt

The Charter School was obligated on long-term debt in the form of a \$315,000 promissory note due to Bank OZK for the purchase of land. The note was payable in monthly principal and interest installments of \$2,587 for five years, until November 17, 2021, when the final payment estimated at \$240,000 would have been due. The note carried a variable interest based of U.S. Prime plus 2%.

Upon sale of the land in October 2020, the debt was retired.

**SARASOTA ACADEMY OF THE ARTS, INC.**

Notes to the Basic Financial Statements

June 30, 2021

NOTE 6 – RELATED PARTY FACILITY LEASE

The Charter School entered into a lease for administrative and classroom space under an operating lease with a related party, for an initial term of June 1, 2018 through May 31, 2023. The base monthly rent was \$7,500, with an increase of 1% annually. The building was sold in March 2020. The lease terms continued with the new owner, who is not a related party. For the year ended June 30, 2021, total lease expense was \$96,705. The new owner billed the Charter School at a discount rate per month through November 2020, as an incentive for the Charter School to relocate before maturity of the lease. The difference between the discount rate and monthly rate per the lease agreement is recorded as an in-kind contribution. In-kind contribution for the year ended June 30, 2021, totals \$36,300.

NOTE 7 – RETIREMENT PLAN

The Charter School sponsors a defined contribution pension plan that covers all full-time employees that have met certain age and service requirements. The Charter School's contributions to the plan are \$400 the first year, \$500 the second year and \$600 the third year per participating employee. Employees are vested in the plan according to a schedule. For the year ended June 30, 2021, the Charter School's retirement plan contributions were \$18,546.

NOTE 8 – LOCAL REVENUE SOURCES

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

<u>Source</u>	<u>Amount</u>
Federal through state	
IDEA grant	\$ <u>5,519</u>
State through local	
Base funding	1,344,952
Reading instruction	9,147
Classroom for kids	233,989
Capital improvements	45,665
Other state revenue	<u>127,375</u>
Subtotal	<u>1,761,128</u>
Charges for services	
Clubs	9,357
Performing arts	5,372
Other charges	<u>1,119</u>
Subtotal	<u>15,848</u>
Local	
Referendum millage allocation	256,585
Instructional materials	16,313
Grants/donations/fundraising	<u>37,864</u>
Subtotal	<u>310,762</u>
Interest income	<u>214</u>
Total	\$ <u>2,093,471</u>

**SARASOTA ACADEMY OF THE ARTS, INC.**

Notes to the Basic Financial Statements

June 30, 2021

**NOTE 9 – RISK MANAGEMENT PROGRAMS**

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

**NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS**

The Charter School has evaluated subsequent events through September 3, 2021 the date the financial statements were available for issuance.



REQUIRED SUPPLEMENTARY INFORMATION

**SARASOTA ACADEMY OF THE ARTS, INC.**  
 Required Supplementary Information  
 Budgetary Comparison Schedule - General and Capital Projects Funds (Unaudited)  
 For the Year Ended June 30, 2021

	Primary Government			
	Original Budget	Final Budget	Actual	Over / (Under)
Revenues				
Federal through state	\$ -	\$ -	\$ 13,814	13,814
State	1,701,375	1,701,375	1,749,667	48,292
Local	380,043	380,043	329,776	(50,267)
Investment income	89	89	214	125
Total revenues	<u>2,081,507</u>	<u>2,081,507</u>	<u>2,093,471</u>	<u>11,964</u>
Expenditures				
Education				
Basic instruction	956,247	956,247	1,015,677	59,430
Exceptional instruction	93,944	93,944	115,230	21,286
Instructional support services	16,200	16,200	-	(16,200)
Instructional staff training services	1,500	1,500	535	(965)
Board	16,500	16,500	14,054	(2,446)
General administration	30,374	30,374	44,067	13,693
School administration	236,195	236,195	241,111	4,916
Fiscal services	25,624	25,624	28,789	3,165
Food services	-	-	200	200
Central services	3,000	3,000	248	(2,752)
Pupil transportation	45,000	45,000	43,379	(1,621)
Operation of plant	247,354	247,354	235,378	(11,976)
Maintenance of plant	34,500	34,500	26,303	(8,197)
Administrative technology	54,452	54,452	51,039	(3,413)
Community services	71,455	71,455	11,410	(60,045)
Capital Outlay	-	-	31,145	31,145
Debt service	7,760	7,760	266,979	259,219
Total expenses	<u>1,840,105</u>	<u>1,840,105</u>	<u>2,125,544</u>	<u>285,439</u>
Excess (deficit) of revenues over expenditures	<u>241,402</u>	<u>241,402</u>	<u>(32,073)</u>	<u>(273,475)</u>
Net change in fund balance	<u>\$ 241,402</u>	<u>\$ 241,402</u>	<u>\$ (32,073)</u>	<u>\$ (273,475)</u>

Notes to Required Supplementary Information:

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sarasota Academy of the Arts, Inc. (the Charter School), a Charter School and component unit of the School Board of Sarasota County, as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated October 28, 2021.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Pellegrino & McFarland, P.A.*

Sarasota, Florida  
September 3, 2021

## MANAGEMENT LETTER

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

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

We have audited the financial statements of Sarasota Academy of the Arts, Inc. (the Charter School), a Charter School and component unit of the School Board of Sarasota County, as of and for the year ended June 30, 2021, and have issued our report thereon dated September 3, 2021.

### **Auditors' Responsibility**

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

### **Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 3, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, as noted below under the heading *Status of Prior Year Findings and Recommendations* and *Current Year Findings and Recommendations*.

### **Official Title**

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

## **Financial Condition**

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

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

## **Transparency**

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

## **Other Matters**

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

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

## **Purpose of this Letter**

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

*Pellegrino & McFarland, P.A.*

Sarasota, Florida  
September 3, 2021

**Status of Prior Year Findings and Recommendations**

There were no prior year findings or recommendations.

**Current Year Findings and Recommendations**

There were no current year findings or recommendations.