

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

BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the 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, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

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

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information (reference table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2022, 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.

**Prior Period Adjustment**

As discussed in Note G to the financial statements, beginning net position has been increased by \$259,004 as a result of capitalized construction interest in the prior year. Our opinion is not modified with respect to that matter.

**Emphasis of Matters**

As discussed in Note H to the financial statements, effective June 30, 2022, the School adopted the provisions of Governmental Accounting Standards Board GASB 87, Leases. Our opinions are not modified with respect to this matter.

*McDonough CPA Solutions, PA*

September 27, 2022  
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, 2022 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, as listed in the table of contents.

### Financial Highlights

- The School had total expenses for the year of \$8,792,796, compared to program, federal direct and general revenues of \$8,310,748.
- The School's overall net position decreased by \$482,048.
- Total ending unrestricted net position was \$822,982.
- During the current fiscal year, the School had capital additions of \$10,109,058 related to the issued 2021 series bonds for the amount of \$11,235,000 for the high school facility. In relationship, \$5,451,854 of the \$10,109,058 additions were transferred from construction in progress.
- The year ended June 30, 2022 was the School's second year of instruction during which the School educated 821 students, serving grades K-12, compared to 648 students, serving grades K-5, 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 four individual governmental funds, the General Fund, Debt Service Fund, Capital Projects Fund, and Capital Outlay 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 \$2,003,941 at June 30, 2022, compared to \$1,521,893 at June 30, 2021.

**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>2022</u>	<u>Restated 2021</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 1,712,589	\$ 6,275,788	\$ (4,563,199)
Noncurrent asset	<u>20,629,373</u>	<u>16,477,744</u>	<u>4,151,629</u>
Total assets	<u>22,341,962</u>	<u>22,753,532</u>	<u>(411,570)</u>
<b>LIABILITIES</b>			
Current liabilities	649,125	564,547	84,578
Noncurrent liabilities	<u>23,696,778</u>	<u>23,710,878</u>	<u>(14,100)</u>
Total liabilities	<u>24,345,903</u>	<u>24,275,425</u>	<u>70,478</u>
<b>NET POSITION</b>			
Net investment in capital assets, net of related debt	(2,850,495)	(2,719,617)	(130,878)
Restricted	23,572	3,509,917	(3,486,345)
Unrestricted	<u>822,982</u>	<u>(2,312,193)</u>	<u>3,135,175</u>
Total net position	<u>\$ (2,003,941)</u>	<u>\$ (1,521,893)</u>	<u>\$ (482,048)</u>

Current assets decrease was mainly due to the purchase of capital additions with restricted cash in the current year offset by increase in amounts due from other agencies. Noncurrent assets increase was due to the capital additions of 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. Net investment of capital assets decrease was due to the purchase of noncapital additions with restricted cash in the current year. Restricted decreased mostly related to the purchase of capital projects in the current year.



## Management's Discussion and Analysis (continued)

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

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Revenues			
Program revenues			
Charges for services	\$ 499,033	\$ 407,115	\$ 91,918
Operating grants and contributions	506,931	209,655	297,276
Capital grants and contributions	1,050,916	533,128	517,788
General revenues	6,253,868	4,732,944	1,520,924
PPP loan forgiveness	-	495,000	(495,000)
	<u>\$ 8,310,748</u>	<u>\$ 6,377,842</u>	<u>\$ 1,932,906</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 for the new high school. Federal direct increased due to the Employee Retention Tax Credit. PPP loan forgiveness decreased due to the recognition of revenues for the School meeting eligibility requirements of the paycheck protection program in the prior year.

Basic instruction	\$ 3,582,160	2,599,398	\$ 982,762
Exceptional instruction	246,923	239,073	7,850
Guidance services	75,835	110,862	(35,027)
Instructional technology	26,683	36,258	(9,575)
Board	498,311	-	498,311
School administration	790,162	876,971	(86,809)
Facilities	125,532	458,264	(332,732)
Fiscal services	10,613	-	10,613
Food services	360,748	229,111	131,637
Operation of plant	1,133,153	625,386	507,767
Community service	310,798	175,663	135,135
Debt service	1,631,878	585,253	1,046,625
	<u>8,792,796</u>	<u>5,936,239</u>	<u>2,856,557</u>
Changes in net position	(482,048)	441,603	(923,651)
Net position at July 1, 2021, beginning	(1,780,897)	(1,903,831)	122,934
Prior period adjustment	259,004	(59,665)	318,669
Net position at July 1, 2021, restated	<u>(1,521,893)</u>	<u>(1,963,496)</u>	<u>441,603</u>
Net position at June 30, 2022	<u>\$ (2,003,941)</u>	<u>\$ (1,521,893)</u>	<u>\$ (482,048)</u>

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## Management's Discussion and Analysis (continued)

Basic instruction increased due to increases in salary and benefits related to student enrollments including the state mandated teacher salary increases and addition of new teachers for the high school offering, purchases of material and supplies and other expenses related to the high school. Guidance services decrease was due to salary and benefits related to student enrollments. Board increased due to contracted services purchased in the current year. School administration decreased mostly due to decreases in purchased services in the current year. Facilities decreased due to the issuance costs of the 2022 facilities revenues bonds and the construction of additional educational facilities in the prior year. Food services increased mostly due to additional salaries for food services personnel and benefits to service additional students and supplies and materials for lunches related to the high school. Operations of plant increased due to salary and benefits related to the high school and state mandated teacher salary increases, other purchased services, and material and supplies offset by capital outlay purchases. Community service increased due to salary and benefits, purchased services, and supplies and material. Debt services increased due to current year interest costs and amortization of the bond discount to service the debt.

**Governmental Activities.** The governmental activities generated \$2,056,880 in program revenues and \$6,253,868 of general revenues. In addition, the School incurred expense of \$8,792,796. This resulted in a decreasing change in net position of \$482,048 with total deficit of \$2,003,941 at June 30, 2022.

### The School's Individual Funds

**General Fund.** The fund balance of the General Fund increased by \$115,086 from \$859,262 to \$974,348 at June 30, 2022.

**Debt Service Fund.** The fund balance of the Debt Service Fund decreased by \$1,717,962 from \$1,740,769 to \$22,807 at June 30, 2022.

**Capital Projects Fund.** The fund balance of the Capital Project Fund decreased by \$4,652,045 offset by positive transfers in of \$1,390,835 totaling decrease of \$3,261,210 in the current year. In the prior year, the fund balance was \$3,261,210, resulting in the current year fund balance of \$0 at June 30, 2022.

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

**Other Governmental Funds.** The fund balance of the Other Governmental Funds remained at \$-0-; which means all other governmental funds revenues were funded and spent or transfers received during the same period.

## Management's Discussion and Analysis (continued)

### General Fund Budgetary Highlights

The general fund budget for the fiscal year ended June 30, 2022, 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, 2022, the actual expenditures were equal to the final budget. The budgetary information can be found listed on the table of contents in this report.

### Capital Assets and Debt Administration

**Capital Assets.** The School's net investment in capital assets, net of related debt for its governmental activities as of June 30, 2022, amounts to (\$2,850,495) (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 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 previously issued \$11,235,000 in educational facilities revenue bonds 2021 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 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 remain the same as the 2021/2022 at 821 students in 2022/2023.

### 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, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 774,417
Restricted cash	363,387
Due from other agencies	446,063
Due from other schools	109,613
Due from management company	18,344
Deposits	<u>765</u>
Total current assets	<u>1,712,589</u>

**CAPITAL ASSETS**

Capital assets not being depreciated:	
Land	950,000
Capital assets, net of accumulated depreciation:	
Building and equipment	19,356,412
Furniture, fixtures and equipment	127,397
Information technology equipment	<u>125,979</u>
Total capital assets, net	20,559,788

**NONCURRENT ASSETS**

Right of use assets, net of amortization	<u>69,585</u>
Total noncurrent assets	<u>20,629,373</u>
Total assets	<u>22,341,962</u>

**LIABILITIES AND NET POSITION**

**LIABILITIES**

Accounts payable	\$ 28,845
Accrued payroll liabilities	408,349
Accrued interest	65,454
Due within one year, lease liabilities	44,269
Due within one year, bond payable, net of discount	<u>102,208</u>
Total current liabilities	649,125

**NONCURRENT LIABILITIES**

Due in more than one year, lease liabilities	25,316
Due in more than one year, bond payable, net of discount	<u>23,671,462</u>
Total noncurrent liabilities	<u>23,696,778</u>
Total liabilities	<u>24,345,903</u>

**NET POSITION**

Net investment in capital assets, net of related debt	(2,850,495)
Restricted for:	
Deposits	765
Debt service	22,807
Unrestricted	<u>822,982</u>
Total net position (deficit)	<u>\$ (2,003,941)</u>

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, 2022**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<b>Governmental Activities:</b>					
Basic instruction	\$ 3,582,160	\$ -	\$ 134,353	\$ -	\$ (3,447,807)
Exceptional instruction	246,923	-	56,377	-	(190,546)
Guidance services	75,835	-	34,718	-	(41,117)
Instructional technology	26,683	-	-	-	(26,683)
Board	498,311	-	-	-	(498,311)
School administration	790,162	-	29,200	-	(760,962)
Facilities	125,532	-	-	1,050,916	925,384
Fiscal services	10,613	-	-	-	(10,613)
Food services	360,748	265,695	136,898	-	41,845
Operation of plant	1,133,153	-	105,785	-	(1,027,368)
Community service	310,798	233,338	9,600	-	(67,860)
Debt service	1,631,878	-	-	-	(1,631,878)
	<b>\$ 8,792,796</b>	<b>\$ 499,033</b>	<b>\$ 506,931</b>	<b>\$ 1,050,916</b>	<b>\$ (6,735,916)</b>
<b>General revenues:</b>					
					212,786
					8,719
					5,773,048
					259,315
					6,253,868
					(482,048)
					(1,780,897)
					259,004
					(1,521,893)
					\$ (2,003,941)

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, 2022**

	<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>
<b>ASSETS</b>						
Cash	\$ 774,417	\$ -	\$ -	\$ -	\$ -	\$ 774,417
Restricted cash	-	358,073	5,197	117	-	363,387
Due from other agencies	-	-	-	173,755	59,522	233,277
Due from other schools	101,539	-	-	-	8,074	109,613
Due from management company	18,344	-	-	-	-	18,344
Deposits	765	-	-	-	-	765
Due from other funds	496,936	-	-	-	-	496,936
Total assets	<u>\$ 1,392,001</u>	<u>\$ 358,073</u>	<u>\$ 5,197</u>	<u>\$ 173,872</u>	<u>\$ 67,596</u>	<u>\$ 1,996,739</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 9,304	\$ -	\$ -	\$ -	\$ 19,541	\$ 28,845
Accrued payroll liabilities	408,349	-	-	-	-	408,349
Accrued interest	-	65,454	-	-	-	65,454
Due to other funds	-	269,812	5,197	173,872	48,055	496,936
Total liabilities	<u>417,653</u>	<u>335,266</u>	<u>5,197</u>	<u>173,872</u>	<u>67,596</u>	<u>999,584</u>
<b>FUND BALANCES</b>						
Nonspendable						
Deposits	765	-	-	-	-	765
Restricted	-	22,807	-	-	-	22,807
Unassigned	973,583	-	-	-	-	973,583
Total fund balances	<u>974,348</u>	<u>22,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>997,155</u>
Total liabilities and fund balances	<u>\$ 1,392,001</u>	<u>\$ 358,073</u>	<u>\$ 5,197</u>	<u>\$ 173,872</u>	<u>\$ 67,596</u>	<u>\$ 1,996,739</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, 2022**

Total Fund balance - Governmental Funds		\$ 997,155
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	22,012,181	
Accumulated depreciation	<u>(1,452,393)</u>	20,559,788
Unavailable revenue in the governmental funds is susceptible to full accrual on the governmental activities.		212,786
Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		69,585
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds. Noncurrent liabilities at year end consists of:		
Bond payable		(23,773,670)
Lease liabilities		(69,585)
Net Position (Deficit) of Governmental Activities		<u>\$ (2,003,941)</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, 2022**

	<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>
<b>Revenues</b>						
Federal passed through state and local	\$ 8,719	\$ -	\$ -	\$ -	\$ 506,931	\$ 515,650
State passed through local school district	5,773,048	-	-	434,490	-	6,207,538
Other revenues	491,529	1,124	-	616,426	265,695	1,374,774
Total revenues	<u>6,273,296</u>	<u>1,124</u>	<u>-</u>	<u>1,050,916</u>	<u>772,626</u>	<u>8,097,962</u>
<b>Expenditures</b>						
<b>Current:</b>						
Basic instruction	3,426,252	-	-	-	134,353	3,560,605
Exceptional instruction	190,546	-	-	-	56,377	246,923
Guidance services	41,117	-	-	-	34,718	75,835
Instructional technology	26,683	-	-	-	-	26,683
Board	498,311	-	-	-	-	498,311
School administration	760,962	-	-	-	29,200	790,162
Facilities	-	-	4,652,045	-	-	4,652,045
Fiscal Services	10,613	-	-	-	-	10,613
Food services	-	-	-	-	443,154	443,154
Operation of plant	509,405	-	-	-	105,785	615,190
Community service	301,198	-	-	-	9,600	310,798
Debt service	-	1,719,086	-	12,643	-	1,731,729
	<u>5,765,087</u>	<u>1,719,086</u>	<u>4,652,045</u>	<u>12,643</u>	<u>813,187</u>	<u>12,962,048</u>
Excess (deficiency) of revenues over (under) expenditures	508,209	(1,717,962)	(4,652,045)	1,038,273	(40,561)	(4,864,086)
<b>Other financing sources and (uses)</b>						
Transfers in	-	-	1,390,835	-	40,561	1,431,396
Transfers out	(393,123)	-	-	(1,038,273)	-	(1,431,396)
Total other financing sources and (uses)	<u>(393,123)</u>	<u>-</u>	<u>1,390,835</u>	<u>(1,038,273)</u>	<u>40,561</u>	<u>-</u>
Net change in fund balance	<u>115,086</u>	<u>(1,717,962)</u>	<u>(3,261,210)</u>	<u>-</u>	<u>-</u>	<u>(4,864,086)</u>
Fund balances at July 1, 2021	<u>859,262</u>	<u>1,740,769</u>	<u>3,261,210</u>	<u>-</u>	<u>-</u>	<u>5,861,241</u>
Fund balances at June 30, 2022	<u>\$ 974,348</u>	<u>\$ 22,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 997,155</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, 2022**

Net Change in Fund Balances - Governmental Funds \$ (4,864,086)

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 or decreased net position.

Capital outlay	4,657,204	
Provision for depreciation	<u>(575,160)</u>	4,082,044

Some revenues reported in the Statement of Activities are to be collected on a long-term basis; therefore, are not reported as revenues in the funds.		212,786
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Some expenses reported in the Statement of Activities require the use of current financial resources and, therefore, are reported as expenditures in governmental funds.		
Amortization of the right-of-use asset		43,106

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.		
Principal payment on long-term debt	150,000	
Bond discount, net of amortization	<u>(62,792)</u>	87,208

Some expenses reported in governmental funds are to be reported in a long-term basis, therefore, are not reported in the Statement of Activities.		
Payment of lease principal		(43,106)

Change in Net Position - Governmental Activities		<u><u>\$ (482,048)</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, 2022**

**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, 2027 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, 2022**

**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 acquisitions.

Capital Outlay Fund – in accordance with guidelines established by the State of Florida. 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, 2022**

**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, 2022, there was \$674,201 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, 2022**

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

7. Capital assets and depreciation (continued)

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Building and equipment	10-40
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, 2022**

**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, 2022**

**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. Interfund activity

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. At the end of the year, the debt service fund, capital projects fund, capital outlay fund and other governmental funds owed amounts due to the general fund of \$269,812, \$5,197, \$173,872, and \$48,055, respectively.

Transfers are used to move unrestricted general fund revenues to finance programs (i.e. national school lunch program) that the School must account for in other funds. During the year, the general fund transferred \$393,123 to the capital projects fund and the other governmental fund. In addition, the capital outlay fund transferred \$1,038,273 to the capital projects fund.

**PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

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

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. 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, 2022.

**NOTE B - CAPITAL ASSETS AND DEPRECIATION**

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets, not depreciated				
Land	\$ 950,000	\$ -	\$ -	\$ 950,000
Construction in progress	5,451,854	-	5,451,854	-
Total capital assets, not depreciated	<u>6,401,854</u>	<u>-</u>	<u>5,451,854</u>	<u>950,000</u>
Capital assets depreciated:				
Building and equipment	10,793,819	9,854,264	-	20,648,083
Furniture, fixtures and equipment	47,504	133,392	-	180,896
Information technology equipment	111,800	121,402	-	233,202
Total capital assets depreciated	<u>10,953,123</u>	<u>10,109,058</u>	<u>-</u>	<u>21,062,181</u>
Less accumulated depreciation:				
Building and equipment	790,514	501,157	-	1,291,671
Furniture, fixtures and equipment	24,113	29,386	-	53,499
Information technology equipment	62,606	44,617	-	107,223
Total accumulated depreciation	<u>877,233</u>	<u>575,160</u>	<u>-</u>	<u>1,452,393</u>
Total capital assets, net	<u>\$16,477,744</u>	<u>\$ 9,533,898</u>	<u>\$ 5,451,854</u>	<u>\$ 20,559,788</u>

Depreciation expense for the year ended June 30, 2022 was charged to functions of the School as follows:

Basic instruction	\$ 32,035
Food Service	8,780
Operation of plant	<u>534,345</u>
	<u>\$ 575,160</u>



**PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**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, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due in 1 year
Revenue bonds:					
Series 2018A	\$ 13,545,000	\$ -	\$ 35,000	\$ 13,510,000	\$ 40,000
Series 2018B	375,000	-	115,000	260,000	125,000
Series 2021A	6,800,000	-	-	6,800,000	-
Series 2021B	4,030,000	-	-	4,030,000	-
Series 2021C	405,000	-	-	405,000	-
	<u>25,155,000</u>	<u>-</u>	<u>150,000</u>	<u>25,005,000</u>	<u>165,000</u>
Unamortized discount:					
Series 2018A	685,376	-	21,747	663,629	21,747
Series 2018B	72,260	-	26,143	46,117	26,143
Series 2021A	336,852	-	9,357	327,495	9,357
Series 2021B	199,634	-	5,545	194,089	5,545
	<u>1,294,122</u>	<u>-</u>	<u>62,792</u>	<u>1,231,330</u>	<u>62,792</u>
	<u>\$ 23,860,878</u>	<u>\$ -</u>	<u>\$ 87,208</u>	<u>\$ 23,773,670</u>	<u>\$ 102,208</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 \$47,890 for 2022 was charged against bond discount amortization. At June 30, 2022, the total amount of bond discount amortized was \$208,254.

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

**PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE C - LONG-TERM DEBT (continued)**

The 2021 bond issuance included original issue discount totaling \$541,500 for the Series 2021A and 2021B 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 2056. Amortization expense of the discounts of \$14,902 for 2022 was charged against bond discount amortization. At June 30, 2022, the total amount of bond discount amortized was \$19,916.

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 2021-2022 school year was 821 students. The number of students enrolled for the 2022-2023 school year is expected to remain the same at 821 students.

The annual requirements to amortize all debt outstanding as of June 30, 2022 are as follows:

Fiscal year ending June 15:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	360,000	1,501,226	1,861,226
2028-2032	2,080,000	7,139,408	9,219,408
2033-2037	2,815,000	6,404,025	9,219,025
2038-2042	3,810,000	5,408,638	9,218,638
2043-2047	5,155,000	4,061,927	9,216,927
2048-2052	6,980,000	2,238,032	9,218,032
2053-2056	2,815,000	452,700	3,267,700
	<u>\$ 25,005,000</u>	<u>\$ 33,405,510</u>	<u>\$ 58,410,510</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. The calculated Debt Service Coverage requirement was 1.6 to 1 as of June 30, 2022. Further, the School agrees to have cash on hand at June 30, 2022 and each June 30 thereafter, until the bonds are no longer outstanding in an amount not less than 30 days of the cash on hand calculation. As of June 30, 2022, the calculated days cash on hand was above the 30 day limit at 42.57 days.

**PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**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	\$ 3,760,985
Class size	813,370
Discretionary millage	394,546
Supplemental academic instruction	220,294
ESE guaranteed allocation	193,798
Teacher salary allocation	143,085
Discretionary compression	90,854
Instructional materials	60,852
Safe schools	50,239
Student reserve allocation	48,095
Reading allocation	33,658
Mental health allocations	32,728
Library media materials	3,848
Digital classroom	1,308
Administrative fee	(89,039)
Subtotal	5,758,621
Sales surtax	616,426
Capital outlay funding	434,490
Elementary and secondary school emergency relief fund	380,433
Florida teacher's lead program	14,427
Total from the School District of Brevard County	7,204,397
Other revenue:	
Student lunch fees	265,695
Before and aftercare	233,338
Employee retention tax credit	212,786
National school lunch program	126,498
PTO	105,768
Clubs & sports	102,978
Other local revenue	49,445
IDEA funds	8,719
Investment income	1,124
	\$ 8,310,748

The administration fee paid to the District during the year ended June 30, 2022, totaled \$89,039.

**PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**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 \$498,311.

In addition, the School had an amount of \$18,344 due from the management company reported in the Statement of Net Position (Deficit) and Balance Sheet – Governmental Funds.

**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.

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, 2022, \$109,613 has been included in due from other school for purchases and payment of operating expenses.

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

**NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2022**

**NOTE G – ADJUSTMENT TO BEGINNING FUND BALANCE**

An adjustment was made to the beginning net position (deficit) balance of (\$1,780,897) in the amount of \$259,004 related to capitalizable construction interest in the prior year to a restated beginning net position (deficit) of (\$1,521,893) on the statement of activities. In addition, the construction in progress in capital assets was increased by the \$259,004 related to the Statement of Net Position (Deficit) in the prior year.

**NOTE H – LEASE LIABILITIES AND RIGHT-OF-USE ASSETS**

As of June 30, 2022, the School implemented GASB 87 to account for Leases. As of this date, the School held or entered into leases for computer equipment and copiers for use in the School. The leases are noncancellable, with terms ranging from thirty-six to sixty months. The leases have nonrenewal clauses and computers and copiers revert to the lessor at the end of the lease. The payment schedule for reducing the lease liabilities is as follows:

Type	Date	July 1, 2021	Additions	Interest Paid	Principal Paid	Total	June 30, 2022	Current Portion of Lease Liabilities
<u>Copiers</u>								
	9/25/2021	\$ -	\$ 35,489	\$ 1,721	\$ 5,265	\$ 6,986	\$ 30,224	\$ 6,473
	6/16/2018	22,317	-	1,205	11,271	12,476	11,046	11,046
<u>Laptops</u>								
	3/1/2020	8,121	-	418	4,759	5,177	3,362	3,362
	7/1/2020	10,241	-	560	4,942	5,502	5,299	5,299
	8/1/2021	36,523	-	2,022	16,869	18,891	19,654	18,089
Totals		<u>\$ 77,202</u>	<u>\$ 35,489</u>	<u>\$ 5,926</u>	<u>\$ 43,106</u>	<u>\$ 49,032</u>	<u>\$ 69,585</u>	<u>\$ 44,269</u>

In relationship to the lease liabilities, the School chooses to amortize the right-of-use assets on a straight-line basis. Changes in right-of-use assets are presented in the table below:

	July 1, 2021	Additions	Deletions	June 30, 2022
<u>Right-of-Use Assets</u>				
Copiers	\$ 80,271	\$ -	\$ -	\$ 80,271
Laptops	52,812	35,490	-	88,302
Total right-of-use assets, being amortized	<u>133,083</u>	<u>35,490</u>	<u>-</u>	<u>168,573</u>
Less accumulated amortization:				
Copiers	30,495	16,537	-	47,032
Laptops	25,387	26,569	-	51,956
Total accumulated amortization	<u>55,882</u>	<u>43,106</u>	<u>-</u>	<u>98,988</u>
Total right-of-use assets being amortized, net	<u>\$ 77,201</u>	<u>\$ (7,616)</u>	<u>\$ -</u>	<u>\$ 69,585</u>

\* Amortized expense was charged to governmental function as follows:

Basic Instruction                      \$    43,106

**PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE I - SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 27, 2022, 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.

**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, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Federal passed through state and local	\$ -	\$ 8,719	\$ 8,719	\$ -
State passed through local school district	6,259,523	5,773,048	5,773,048	-
Other revenues	266,386	491,529	491,529	-
Total revenues	<u>6,525,909</u>	<u>6,273,296</u>	<u>6,273,296</u>	<u>-</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	2,960,641	3,426,252	3,426,252	-
Exceptional instruction	238,494	190,546	190,546	-
Guidance services	116,922	41,117	41,117	-
Instructional technology	20,161	26,683	26,683	-
Board	632,363	498,311	498,311	-
School administration	452,949	760,962	760,962	-
Fiscal services	10,000	10,613	10,613	-
Operation of plant	439,717	509,405	509,405	-
Maintenance of plant	5,738	-	-	-
Community service	152,351	301,198	301,198	-
	<u>5,029,336</u>	<u>5,765,087</u>	<u>5,765,087</u>	<u>-</u>
Excess of revenues over expenditures	1,496,573	508,209	508,209	-
<b>Other financing sources and (uses)</b>				
Transfers in (out)	(277,295)	(393,123)	(393,123)	-
Total other financing sources and (uses)	<u>(277,295)</u>	<u>(393,123)</u>	<u>(393,123)</u>	<u>-</u>
Net change in fund balance	1,219,278	115,086	115,086	-
Fund balances at July 1, 2021	859,262	859,262	859,262	-
Fund balances at June 30, 2022	<u>\$ 2,078,540</u>	<u>\$ 974,348</u>	<u>\$ 974,348</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, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other revenues	\$ -	\$ 1,124	\$ 1,124	\$ -
Expenditures				
Debt service	1,732,000	1,719,086	1,719,086	-
Net change in fund balance	(1,732,000)	(1,717,962)	(1,717,962)	-
Fund balance at July 1, 2021	1,373,206	1,740,769	1,740,769	-
Fund balance at June 30, 2022	<u>\$ (358,794)</u>	<u>\$ 22,807</u>	<u>\$ 22,807</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, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Facilities	<u>-</u>	<u>4,652,045</u>	<u>4,652,045</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	(4,652,045)	(4,652,045)	-
Other financing sources (uses)				
Transfers in (out)	<u>811,362</u>	<u>1,390,835</u>	<u>1,390,835</u>	<u>-</u>
Total other financing sources	<u>811,362</u>	<u>1,390,835</u>	<u>1,390,835</u>	<u>-</u>
Net change in fund balance	811,362	(3,261,210)	(3,261,210)	-
Fund balance at July 1, 2021	<u>3,261,210</u>	<u>3,261,210</u>	<u>3,261,210</u>	<u>-</u>
Fund balance at June 30, 2022	<u>\$ 4,072,572</u>	<u>\$ -</u>	<u>\$ -</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, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State passed through local school district	\$ 444,258	\$ 434,490	\$ 434,490	\$ -
Other revenues	<u>367,104</u>	<u>616,426</u>	<u>616,426</u>	-
Total revenues	<u>811,362</u>	<u>1,050,916</u>	<u>1,050,916</u>	-
Expenditures				
Current:				
Debt service	-	<u>12,643</u>	<u>12,643</u>	-
Excess (deficiency) of revenues over (under) expenditures	<u>811,362</u>	<u>1,038,273</u>	<u>1,038,273</u>	-
Other financial sources (uses)				
Transfer in (out)	<u>(811,362)</u>	<u>(1,038,273)</u>	<u>(1,038,273)</u>	-
Net change in fund balance	-	-	-	-
Fund balance at July 1, 2021	-	-	-	-
Fund balance at June 30, 2022	<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, 2022**

**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, 2022, 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 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, each major fund, and the aggregate remaining fund information of Pineapple Cove Classical Academy at West Melbourne, Inc. (the "School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 27, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

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

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

### **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 27, 2022  
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, 2022, and have issued our report thereon dated September 27, 2022.

### Auditor's Responsibility

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

### Other Reporting Requirements

We have issued our Independent 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 27, 2022, 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 27, 2022  
Rockledge, Florida

## **MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES**

For the year ended June 30, 2022 and 2021, there were no management finding, recommendations or responses.