



**Pineapple Cove Classical Academy  
at Lockmar, Inc.**

**FINANCIAL STATEMENTS**

**June 30, 2024**



	<b>Page</b>
<b>REPORT</b>	
Independent Auditor’s Report .....	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	
Management’s Discussion and Analysis (Required Supplementary Information) .....	4
<b>BASIC FINANCIAL STATEMENTS</b>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position .....	10
Statement of Activities .....	11
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds .....	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position .....	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds .....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities .....	15
Notes to the Basic Financial Statements .....	16
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule – General Fund .....	35
Budgetary Comparison Schedule – Special Revenue Fund .....	36
<b>OTHER REPORT</b>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	37
<b>MANAGEMENT LETTER AND INTERNAL CONTROL RECOMMENDATIONS</b>	
Management Letter as Required by Section 218.39(4) Florida Statutes .....	39
Appendix to Management Letter – Current Year’s Observations, Recommendations, and Management’s Responses, June 30, 2024 .....	41



# REPORT





## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Pineapple Cove Classical Academy at Lockmar, Inc.  
Palm Bay, Florida

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Pineapple Cove Classical Academy at Lockmar, 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, 2024, 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 and each major fund of the School as of June 30, 2024, 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 (GAAS) 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 Pineapple Cove Classical Academy at Lockmar, Inc. 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 Pineapple Cove Classical Academy at Lockmar, Inc.'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 on pages 4 through 9 and 35 through 36 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 20, 2024, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Tallahassee, FL  
September 20, 2024



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

## Pineapple Cove Classical Academy at Lockmar, Inc. Management's Discussion and Analysis

The corporate officers of Pineapple Cove Classical Academy at Lockmar, Inc. have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2024.

### **Financial Highlights**

1. The net position of the School at June 30, 2024 was a deficit of \$(3,886,091).
2. At June 30, 2024, the School had current assets on hand of \$863,755, including restricted cash of \$606,403.
3. The net position of the School decreased by \$(809,850) during the year ended June 30, 2024.
4. The unassigned fund balance at June 30, 2024 was \$37,298.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2024 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

### ***Government-Wide Financial Statements***

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

The *Statement of Net Position* presents information on all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between the four is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10-11 of this report.

### ***Fund Financial Statements***

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

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Management's Discussion and Analysis**

***Fund Financial Statements (continued)***

All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the major governmental funds.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

***Notes to Financial Statements***

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 16-34 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net position was a deficit of \$(3,886,091) at the close of the fiscal year. A summary of the School's net position as of June 30, 2024 and 2023 is as follows:

<i>June 30,</i>	<b>2024</b>	2023
<b>Assets</b>		
Cash	\$ 81,878	\$ 37,736
Cash, restricted	606,403	802,149
Prepaid expenses and other assets	38,598	3,258
Due from other agencies	136,876	98,310
Capital and right-of-use assets, net	17,792,342	17,912,668
Total assets	<b>18,656,097</b>	18,854,121
<b>Liabilities</b>		
Accounts payable and accrued liabilities	368,776	465,116
Accrued interest	41,858	41,858
Due to related schools	377,225	496,404
Due to management company	-	471,276
Notes payable	1,312,117	-
Lease liabilities	180,104	202,550
Bond payable	20,262,108	20,253,158
Total liabilities	<b>22,542,188</b>	21,930,362
<b>Net position</b>		
Net investment in capital assets	(2,649,870)	(2,543,040)
Restricted	606,403	760,291
Unrestricted	(1,842,624)	(1,293,492)
Total net position	<b>\$ (3,886,091)</b>	\$ (3,076,241)

**Pineapple Cove Classical Academy at Lockmar, Inc.  
Management's Discussion and Analysis**

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2024 and for the period from inception to June 30, 2023 is as follows:

<i>For the years ended June 30,</i>	<b>2024</b>	<b>2023</b>
<b>Revenues</b>		
Program revenues		
Federal sources	\$ 811,224	\$ 712,973
Capital grants and contributions	593,969	376,888
Charges for services	626,379	535,495
General revenues		
Local sources (FTE and other non-specific)	5,518,189	4,260,291
Other revenue	32,168	94,616
<b>Total revenues</b>	<b>7,581,929</b>	<b>5,980,263</b>
<b>Expenses</b>		
Instruction	3,498,469	3,086,244
Instructional media services	-	3,912
Student support services	208,681	145,156
Instructional staff training	-	3,912
Instruction related technology	6,204	83,670
Board	638,310	333,621
School administration	821,769	779,539
Facilities acquisition	491,986	116,472
Food services	395,300	299,822
Operation of plant	847,865	1,510,532
Community services	446,940	305,309
Debt service	1,036,255	2,388,315
<b>Total expenses</b>	<b>8,391,779</b>	<b>9,056,504</b>
Change in net position	<b>(809,850)</b>	<b>(3,076,241)</b>
Net position at beginning of year, and inception (respectively)	<b>(3,076,241)</b>	-
Net position at end of year	<b>\$ (3,886,091)</b>	<b>\$ (3,076,241)</b>

The School's revenues and expenses for the year ended June 30, 2024 increased (decreased) by \$1,601,666 and \$(664,725), respectively. The School had a deficit in its net position of \$(3,886,091) and \$(3,076,241) at June 30, 2024 and 2023, respectively.

**Capital Improvement Requirements**

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

**Pineapple Cove Classical Academy at Lockmar, Inc.  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$75,896. The unassigned fund deficit is \$(37,298). These funds will be available for the School's future ongoing operations.

**Capital Assets**

The School's investment in capital assets and right of use lease assets as of June 30, 2024 amounts to \$17,792,342 (net of accumulated depreciation and amortization). This investment in capital assets includes land, building, improvements, furniture, fixtures and equipment and right of use lease assets includes computer, playground and copier equipment. As of June 30, 2024, the School had long-term liabilities of \$20,442,212 associated to its capital assets and right-of-use assets.

Activity for the year ended June 30, 2024 follows:

	<b>Balance, July 1, 2023</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance, June 30, 2024</b>
Land, buildings and equipment	\$ 18,186,307	\$ 416,179	\$ -	\$ 18,602,486
Right-of-use assets	308,450	76,035	-	384,485
Subtotal	18,494,757	492,214	-	18,986,971
Accumulated depreciation	(474,336)	(513,354)	-	(987,690)
Accumulated amortization	(107,753)	(99,186)	-	(206,939)
Subtotal	(582,089)	(612,540)	-	(1,194,629)
Capital assets, net	\$ 17,912,668	\$ (120,326)	\$ -	\$ 17,792,342

**Pineapple Cove Classical Academy at Lockmar, Inc.  
Management's Discussion and Analysis**

**Long-term Debt**

Activity for the year ended June 30, 2024 follows:

	Balance, July 1, 2023	Additions	Deletions	Balance, June 30, 2024
Bonds payable, net	\$ 20,253,158	\$ -	\$ (8,950)	\$ 20,262,108
Notes payable	471,276	889,084	48,243	1,312,117
Operating leases payable	202,550	76,035	98,481	180,104
Long-term debt	\$ 20,926,984	\$ 965,119	\$ 137,774	\$ 21,754,329

**Governmental Fund Budget Analysis and Highlights**

Prior to the start of the School's fiscal year, the Board of the School adopted an annual budget for the year ended June 30, 2024. A budgetary comparison statement has been provided for the governmental funds.

<i>For the year ended June 30, 2024</i>	Governmental Funds		
	Original Budget	Final Budget	Actual
<b>Revenues</b>			
State passed through local	\$ 6,145,638	\$ 5,541,441	\$ 5,541,441
Local sources	636,950	1,174,898	1,174,898
Federal through state and local	154,140	205,646	205,646
Charges for services	480,682	520,471	520,471
Other revenue	110,000	139,473	139,473
Total revenues	7,527,410	7,581,929	7,581,929
<b>Current expenditures</b>			
Instruction	2,835,243	3,397,246	3,397,246
Student support services	128,886	208,681	208,681
Instruction related technology	57,408	6,204	6,204
Board	929,774	638,310	638,310
School administration	779,792	821,769	821,769
Food services	364,402	395,300	395,300
Operation of plant	741,320	828,827	828,827
Community services	254,221	446,647	446,647
Capital outlay	-	492,214	492,214
Debt service	-	1,174,029	1,174,029
Total current expenditures	6,091,046	8,409,227	8,409,227
Total revenues in excess of current expenditures	\$ 1,436,364	\$ (827,298)	\$ (827,298)

## **Pineapple Cove Classical Academy at Lockmar, Inc. Management's Discussion and Analysis**

### **Requests for Information**

This financial report is designed to provide a general overview of the Pineapple Cove Classical Academy at Lockmar, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Pineapple Cove Classical, Inc., 6162 NW Minton Rd, Palm Bay, FL 32907.



# **BASIC FINANCIAL STATEMENTS**

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Statement of Net Position**  
**June 30, 2024**

<i>June 30, 2024</i>	<b>Governmental Activities</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash	\$ 81,878
Cash and cash equivalents, restricted	606,403
Due from other agencies	136,876
Prepaid expenses and other current assets	38,598
Total current assets	863,755
<b>Capital assets, net</b>	
Capital assets, non-depreciable	905,012
Capital assets, depreciable	17,697,474
Less: accumulated depreciation	(987,690)
Right-of-use lease asset	384,485
Less: accumulated amortization	(206,939)
Total capital assets, net	17,792,342
Total assets	18,656,097
<b>Deferred outflows of resources</b>	
	-
<b>Liabilities</b>	
<b>Current liabilities</b>	
Salaries and wages payable	235,267
Accounts payable and accrued expenses	133,509
Accrued interest on bonds	41,858
Due to other schools	377,225
Note payable to management company, current	202,262
Note payable to other schools, current	54,433
Bond payable, current	210,000
Lease liabilities, current	105,677
Total current liabilities	1,360,231
<b>Non-current liabilities</b>	
Note payable to management company, less current portion	729,446
Note payable to other schools, less current portion	325,976
Bond payable, less current portion	20,052,108
Lease liabilities, less current portion	74,427
Total non-current liabilities	21,181,957
Total liabilities	22,542,188
<b>Deferred inflows of resources</b>	
	-
<b>Net position</b>	
Net investment in capital assets	(2,649,870)
Restricted by bonds for:	
Debt service and capital projects	606,403
Unrestricted (deficit)	(1,842,624)
Total net position	\$ (3,886,091)

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

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Statement of Activities**  
**Year ended June 30, 2024**

Functions/programs	Program revenues			Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Net (expense) revenue and changes in net position
Governmental activities:								
Instruction	\$ 3,498,469	\$ -	\$ 351,065	\$ -	\$ -	\$ -	\$ -	\$ (3,147,404)
Student support services	208,681	-	-	-	-	-	-	(208,681)
Instruction related technology	6,204	-	-	-	-	-	-	(6,204)
Board	638,310	-	-	-	-	-	-	(638,310)
School administration	821,769	-	-	-	-	-	-	(821,769)
Facilities acquisition	491,986	-	-	-	32,423	-	-	(459,563)
Food services	395,300	94,269	205,646	-	-	-	-	(95,385)
Operation of plant	847,865	-	253,116	-	561,546	-	-	(33,203)
Community services	446,940	532,110	1,397	-	-	-	-	86,567
Debt service	1,036,255	-	-	-	-	-	-	(1,036,255)
<b>Total governmental activities</b>	<b>\$ 8,391,779</b>	<b>\$ 626,379</b>	<b>\$ 811,224</b>	<b>\$ -</b>	<b>\$ 593,969</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(6,360,207)</b>
General revenues								
FTE and other nonspecific revenues								5,518,189
Other								32,168
<b>Total general revenues</b>								<b>5,550,357</b>
Change in net position								(809,850)
Net position at beginning of year								(3,076,241)
Net position at end of year								<b>\$ (3,886,091)</b>

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

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Balance Sheet – Governmental Funds**  
**June 30, 2024**

<i>June 30, 2024</i>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash	\$ 81,878	\$ -	\$ -	\$ -	81,878
Cash and cash equivalents, restricted	-	606,403	-	-	606,403
Prepaid expenses and other current assets	38,598	-	-	-	38,598
Due from other agencies	-	-	7,808	129,068	136,876
Due from fund	701,421	-	-	-	701,421
<b>Total assets</b>	<b>821,897</b>	<b>606,403</b>	<b>7,808</b>	<b>129,068</b>	<b>1,565,176</b>
<b>Deferred outflows of resources</b>					
	-	-	-	-	-
<b>Total assets and deferred outflows of resources</b>	<b>\$ 821,897</b>	<b>\$ 606,403</b>	<b>\$ 7,808</b>	<b>\$ 129,068</b>	<b>\$ 1,565,176</b>
<b>Liabilities</b>					
Salaries and wages payable	\$ 235,267	\$ -	\$ -	\$ -	235,267
Accounts payable and accrued expenses	133,509	-	-	-	133,509
Accrued interest on bonds	-	41,858	-	-	41,858
Due to other schools	377,225	-	-	-	377,225
Due to fund	-	564,545	7,808	129,068	701,421
<b>Total liabilities</b>	<b>746,001</b>	<b>606,403</b>	<b>7,808</b>	<b>129,068</b>	<b>1,489,280</b>
<b>Deferred inflows of resources</b>					
	-	-	-	-	-
<b>Fund balance</b>					
Nonspendable - prepaid expenses	38,598	-	-	-	38,598
Unassigned	37,298	-	-	-	37,298
<b>Total fund balance</b>	<b>75,896</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,896</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 821,897</b>	<b>\$ 606,403</b>	<b>\$ 7,808</b>	<b>\$ 129,068</b>	<b>\$ 1,565,176</b>

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

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Position**  
**Year ended June 30, 2024**

Total fund balance - governmental funds \$ 75,896

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

Depreciable and non-depreciable capital assets net of accumulated depreciation and amortization used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Capital assets, non-depreciable	905,012	
Capital assets, depreciable	17,697,474	
Less: accumulated depreciation	(987,690)	
Right-of-use asset	384,485	
Less: accumulated amortization	<u>(206,939)</u>	17,792,342

Long-term liabilities in governmental activities are not due and payable in the current period and therefore, are not reported in the governmental funds. (21,754,329)

Total net position - governmental funds \$ (3,886,091)

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

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Statement of Revenues, Expenditures and Changes in Fund Balance –**  
**Governmental Funds**  
**Year ended June 30, 2024**

<i>For the year ended June 30, 2024</i>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
State passed through local	\$ 5,541,441	\$ -	\$ -	\$ -	\$ 5,541,441
Local sources	580,929	-	-	593,969	1,174,898
Federal through state and local	-	-	205,646	-	205,646
Charges for services	426,202	-	94,269	-	520,471
Other	109,220	30,253	-	-	139,473
<b>Total revenues</b>	<b>6,657,792</b>	<b>30,253</b>	<b>299,915</b>	<b>593,969</b>	<b>7,581,929</b>
<b>Expenditures</b>					
Current					
Instruction	3,397,246	-	-	-	3,397,246
Student support services	208,681	-	-	-	208,681
Instruction related technology	6,204	-	-	-	6,204
Board	638,310	-	-	-	638,310
School administration	821,769	-	-	-	821,769
Food services	-	-	395,300	-	395,300
Operation of plant	828,827	-	-	-	828,827
Community services	446,647	-	-	-	446,647
Capital outlay					
Other capital outlay	-	-	-	492,214	492,214
Debt service					
Redemption of principal	-	146,724	-	-	146,724
Interest	-	1,027,305	-	-	1,027,305
<b>Total expenditures</b>	<b>6,347,684</b>	<b>1,174,029</b>	<b>395,300</b>	<b>492,214</b>	<b>8,409,227</b>
<b>Excess (deficit) of revenues over expenses</b>	<b>310,108</b>	<b>(1,143,776)</b>	<b>(95,385)</b>	<b>101,755</b>	<b>(827,298)</b>
Other financing sources (uses)					
Proceeds from issuance of debt	-	965,119	-	-	965,119
Transfers in (out)	488,004	(448,025)	95,385	(135,364)	-
<b>Total other financing sources (uses)</b>	<b>488,004</b>	<b>517,094</b>	<b>95,385</b>	<b>(135,364)</b>	<b>965,119</b>
<b>Net change in fund balance</b>	<b>798,112</b>	<b>(626,682)</b>	<b>-</b>	<b>(33,609)</b>	<b>137,821</b>
<b>Fund balance, beginning of year</b>	<b>(722,216)</b>	<b>626,682</b>	<b>-</b>	<b>33,609</b>	<b>(61,925)</b>
<b>Fund balance, end of year</b>	<b>\$ 75,896</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 75,896</b>

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

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balance of Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2024**

Net change in fund balance - governmental funds	\$	137,821
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay	492,214	
Depreciation and amortization expense	<u>(612,540)</u>	(120,326)

Increase in long-term liabilities is revenue in the governmental funds, but a decrease or repayment of such payables reduces liabilities in the statement of net position.

Increase in long-term liabilities	(965,119)	
Amortization of bond discounts	(8,950)	
Principal payments on long-term liabilities	<u>146,724</u>	<u>(827,345)</u>

Change in net position of governmental activities	\$	<u><u>(809,850)</u></u>
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*The accompanying notes are an integral part of this financial statement.*

## Pineapple Cove Classical Academy at Lockmar, Inc. Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Reporting Entity***

Pineapple Cove Classical Academy at Lockmar, Inc., (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act organized on September 1, 2020. The governing body of the School is the not-for-profit corporation's Board of Directors, which is comprised of not less than three members. The board has determined that no component units exist that would require inclusion in the School's financial statements.

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, 2025 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 located in Palm Bay, Florida for students from kindergarten through eighth grade. These financial statements are for the year ended June 30, 2024. The academic year ended June 30, 2024, was the second year of operations for the School, where approximately 688 students were enrolled for the year.

#### ***Basis of Presentation***

The School's accounting policies conform to accounting principles generally accepted in the United States applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

#### ***Government-wide and Fund Financial Statements***

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.

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.

## Pineapple Cove Classical Academy at Lockmar, Inc. Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***Government-wide and Fund Financial Statements (continued)***

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: (1) charges for services, such as food service and student activity fees; (2) operating grants such as the National School Lunch Program, and other state allocations; and (3) capital grants and contributions specific to capital outlay. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues and other local and miscellaneous sources.

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.

#### ***Fund Financial Statements***

The financial transactions of the School are reported in individual funds in the governmental 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 School reports the following major governmental funds:

*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.

*Special Revenue Fund* - accounts for specific revenues, such as federal funding and federal lunch program funding that are legally restricted to expenditures for particular purposes.

*Capital Projects Fund* – in accordance with guidelines established by the State of Florida, it is used to account for the resources restricted for the acquisition or construction of specific capital assets from the bond proceeds and for state and local capital outlay funding that are legally restricted to expenditures for particular purposes.

## Pineapple Cove Classical Academy at Lockmar, Inc. Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***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. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

#### ***Budgets and Budgetary Accounting***

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

#### ***Cash, Cash Equivalents, and Investments***

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term liquid investments with maturities of three months or less at the date of acquisition.

The School has not adopted a formal deposit and investment policy that limits the School's allowable deposits or investments and address specific types of risk. Therefore, pursuant to Florida Statutes, the School is authorized to invest in the Florida PRIME investment pool, administered by the State Board of Administration (SBA); Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Cash, Cash Equivalents, and Investments (continued)***

Statutes; and direct obligations of the United States Treasury. Investments in money market mutual funds that have maturities of one year or less from the date of acquisition are reported at amortized cost that is equivalent to fair value.

The School's investments are set aside to make debt service payments, maintain sinking or reserve funds, and to purchase or construct capital assets and are classified as restricted. These investments are reported as restricted in the Debt Service Fund in the Balance Sheet - Governmental Funds.

The School follows the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, GASB Statement No. 72, Fair Value Measurement and Application, and other related standards which establish accounting and financial reporting standards for all investments (see Note 2).

***Restricted Assets***

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

***Due from Other Governments or Agencies***

Amounts due to the School by other governments or agencies relate to grants or programs for which the services have been provided by the School.

***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.

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets***

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with a cost of \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the government wide statements. Proceeds received from the sale or disposal of capital assets are recorded as other financing sources in the governmental funds.

The right-of-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-of-use assets are amortized on a straight-line basis over the life of the related lease.

Estimated useful lives, in years, for capital assets are as follows:

Building and improvements	10 – 40 years
Furniture, fixtures, and equipment	5 years
Right-of-use asset	3 – 5 years

***Interfund Transfers***

Interfund receivables/payables are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

***Long-Term Debt and Liabilities***

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

## Pineapple Cove Classical Academy at Lockmar, Inc. Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Compensated Absences***

The School grants a specific number of paid days off per school year. Full time employees are eligible for ten paid days off. In the event that available time is not used by the end of the benefit year, employees may "rollover" a maximum of five unused days for use in future benefit years. There is no "cash out" value for unused days. There is no termination payment for accumulated unused days.

GASB Codification Section C60, Accounting for Compensated Absences, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefits years.

The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

#### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and is not recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

#### ***Revenue Sources***

Revenues for operations will be received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the FTE students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time

## Pineapple Cove Classical Academy at Lockmar, Inc. Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Revenue Sources (continued)***

equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for the debt service of school facilities. In addition, the School may receive a portion of the local capital improvement ad valorem tax revenues levied by the District.

Finally, the 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. Any excess amounts are recorded as deferred revenues until expended. Other revenues may also be derived from various fundraising activities and certain other programs.

#### ***Net Position and Fund Balance Classification***

##### *Government-wide financial statements*

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

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

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

## Pineapple Cove Classical Academy at Lockmar, Inc. Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Net Position and Fund Balance Classification (continued)***

##### *Fund financial statements*

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASS requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

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

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

#### ***Income Taxes***

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related note to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

## Pineapple Cove Classical Academy at Lockmar, Inc. Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Use of Estimates*

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

#### *Leases*

Lease contracts that provide the School with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

#### *Recently Issued and Implemented Accounting Pronouncements*

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset --an intangible asset --and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The School did not identify any significant SBITAs that would require implementation of this standard.

## Pineapple Cove Classical Academy at Lockmar, Inc. Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Pronouncements Issued But Not Yet Effective***

GASB has issued GASB Statement No. 101, Compensating Absences. This Statement provides guidance on the accounting and financial reporting for certain types of compensated absences including parental leave, military leave, and injury duty leave. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

#### ***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 20, 2024, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

### **Note 2: CASH AND RESTRICTED CASH**

#### ***Deposits***

Cash is made of deposits and cash on hand totaling \$83,126. The School has identified itself as a public entity. Therefore, the School's deposit must be placed with a financial institution designation by the Treasurer of the State of Florida as a "qualified public depository", as defined in Chapter 280, Florida Statutes. As of June 30, 2024, no amount of the School's cash balances held were exposed to custodial credit risk.

#### ***Restricted Cash***

The School held restricted cash in the amount of \$606,403 that was reported as a cash equivalent for financial statement reporting purposes. The School follows the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Notes to Financial Statements**

**Note 2: CASH AND RESTRICTED CASH (Continued)**

***Restricted Cash (continued)***

At June 30, 2024, the School had approximately \$537,427 invested in a money market mutual fund that is exempt from GASB 72 fair value hierarchy disclosures. The money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of June 30, 2024, maturities of the fund's portfolio holdings are all within 30 days.

***Credit Risk***

*Concentration of credit risk* is the risk of loss attributed to the magnitude of investments in a single issuer. The School manages its exposure to credit risk by limiting investments to highly rated money market mutual funds. The fund is rated Aaa-mf by Moody's.

*Custodial credit risk* is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2024, all of the School's investments in money market mutual funds were held in a separate account by the bond trustee and designated as assets of the School.

*Interest rate risk* is the risk that changes in interest rate will adversely affect the fair value of an investment. The School manages its exposure to declines in fair values by limiting all investments to government money market mutual funds that can be redeemed daily.

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Notes to Financial Statements**

**Note 3: CAPITAL ASSETS**

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2024:

	Balance, July 1, 2023	Additions	Deletions	Balance, June 30, 2024
<b>Capital assets, non-depreciable</b>				
Land	\$ 905,012	\$ -	\$ -	\$ 905,012
<b>Capital assets, depreciable</b>				
Building	16,856,567	361,246	-	17,217,813
Improvements	18,905	24,793	-	43,698
Furniture, fixtures and equipment	405,823	30,140	-	435,963
Total capital assets	18,186,307	416,179	-	18,602,486
<b>Less accumulated depreciation</b>				
Building	(374,153)	(429,200)	-	(803,353)
Improvements	(16,869)	(2,461)	-	(19,330)
Furniture, fixtures and equipment	(83,314)	(81,693)	-	(165,007)
Total accumulated depreciation	(474,336)	(513,354)	-	(987,690)
Total capital assets, net	17,711,971	(97,175)	-	17,614,796
<b>Lease assets</b>				
Right-of-use lease assets	308,450	76,035	-	384,485
Less accumulated amortization	(107,753)	(99,186)	-	(206,939)
Total lease assets, net	200,697	(23,151)	-	177,546
Total capital assets and lease assets, net	\$ 17,912,668	\$ (120,326)	\$ -	\$ 17,792,342

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Notes to Financial Statements**

**Note 3: CAPITAL ASSETS (Continued)**

For the year ended June 30, 2024, depreciation and amortization expense is allocated in the Statement of Activities by function as follows:

<i>For the year ended June 30, 2024</i>	<b>Depreciation</b>	<b>Amortization</b>
Facilities acquisition	\$ 508,131	\$ -
Instruction	2,037	99,186
Operation of plan	3,186	-
<b>Total depreciation and amortization expense</b>	<b>\$ 513,354</b>	<b>\$ 99,186</b>

**Note 4: MANAGEMENT AGREEMENT**

The School entered into a management agreement on June 28, 2021, with Classical Education Management, L.L.C. to operate and manage the School. The management fee is \$686 per full-time equivalent (“FTE”) student enrolled at the School per year, payable monthly. Monthly installments are adjusted throughout the year as the Charter School’s FEFP are received from the Brevard County School District. The contract recognizes the importance of the employment of a Director of Operations.

The agreement shall be renewed along with any renewals to the charter agreement, unless terminated by either party not less than 180 days prior to the expiration of the Term. During the year ended June 30, 2024, the School incurred approximately \$542,209 in fees related to this agreement.

Management Agreement payments are subordinate to the bond agreement, if the payment would cause a failure of the School to satisfy the bond covenants (See Note 7).

During the period from inception to June 30, 2024, the school received advances from Classical Education Management, L.L.C. for working capital. During the year ended, the School converted all amounts due to Classical Management, L.L.C into a note payable. The amount due under the note payable to Classical Education Management, LLC totaled \$931,708. See additional disclosures related to long-term liabilities at Note 7.

**Pineapple Cove Classical Academy at Lockmar, Inc.  
Notes to Financial Statements**

**Note 5: TRANSACTIONS WITH SCHOOL DISTRICT AND OTHER RELATED SCHOOLS**

Pineapple Cove Classical Academy at West Melbourne, Inc. and Pineapple Cove Classical Academy, Inc. have board members and the Manager in common. As of June 30, 2024, the School owed approximately \$100,000 and \$277,225 to Pineapple Cove Classical Academy at West Melbourne, Inc. and Pineapple Cove Classical Academy, Inc., respectively, for expenses paid on behalf of the School. During the year ended June 30, 2024, the School converted a portion of the amount due to Pineapple Cove Classical Academy at West Melbourne, Inc. to a note payable with a balance of \$380,409 at June 30, 2024. See Note 7 for further details.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee from the qualifying revenues of the School. For the year ended June 30, 2024, administrative fees withheld by the School District totaled \$96,101.

**Note 6: INTERFUND TRANSFERS**

Interfund transfers in governmental funds for the year ended June 30, 2024, consist of the following:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
To transfer excess funds for debt service	\$ 448,025	\$ -	\$ (448,025)	\$ -
To fund lunch program expenditures	(95,385)	95,385	-	-
To transfer excess funds for capital outlay	135,364	-	-	(135,364)
<b>Total transfers, net</b>	<b>\$ 488,004</b>	<b>\$ 95,385</b>	<b>\$ (448,025)</b>	<b>\$ (135,364)</b>

Amounts due from (to) funds as of June 30, 2024, consist of the following:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
Due to general fund from capital projects fund for capital outlay	\$ 129,068	\$ -	\$ -	\$ (129,068)
Due to general fund from special revenue fund for lunch program expenditures	7,808	(7,808)	-	-
Due to general fund from debt service fund for excess debt proceeds	564,545	-	(564,545)	-
<b>Total due from (due to)</b>	<b>\$ 701,421</b>	<b>\$ (7,808)</b>	<b>\$ (564,545)</b>	<b>\$ (129,068)</b>

## Pineapple Cove Classical Academy at Lockmar, Inc. Notes to Financial Statements

### Note 7: LONG-TERM LIABILITIES

#### *Bonds Payable*

Revenue Bonds Series 2021A and 2021B – On September 1, 2021, the School issued tax-exempt revenue bonds (Series 2021A) for \$20,105,000 and taxable revenue bonds (Series 2021B) for \$445,000 secured by a mortgage on the School's property and facilities located at 720 Emerson Drive NE, Palm Bay, Florida. The bonds were issued to finance the acquisition of the property with four (4) existing buildings and modulars on-site, consisting of approximately 54,000 square feet and to finance the construction, improvement, installation, and equipment purchase of a new 30,000 square foot, two-story educational facility, additional parking and adjacent road improvements.

Series 2021A bonds are term bonds paying interest semi-annually at an interest rate of 4.875% with maturities starting on June 15, 2026 and ending June 15, 2056. Series 2021B bonds are term bonds paying interest semi-annually at a rate of 5.5% and principal payments semi-annually with maturities starting on June 15, 2025 and ending June 15, 2026.

As required by the bond resolution, the School has established a sinking fund, capital projects and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

As described in the Loan Agreement, the School must comply with certain debt covenants and maintain certain minimum requirements related to its debt service coverage ratio and days cash on hand. The minimum debt service coverage ratio is 1.1 to 1 (the "Debt Service Coverage Requirement"). Further, the School agrees to have cash on hand commencing on June 30, 2024 and each June 30 thereafter, until the bonds are no longer outstanding in an amount not less than 20 days of the cash on hand calculation. The level of cash on hand to be maintained increases over time. In addition, the Management Agreement payments are subordinate if the payment would cause a failure of the School to satisfy the cash on hand requirement or the debt service coverage ratio. As of June 30, 2024, the debt service coverage ratio was 0.44 and the cash on hand was 32.29 days.

In accordance with the Trust Indenture, the Beneficial Owners of a majority in aggregate principal amount of the bonds then outstanding may direct the School to promptly employ a management consultant to review and analyze the operations and administration of the School, and submit written reports to the School and Trustee, and make such recommendations as to the operations and administration of the School. Failure of the School to achieve the cash on hand and debt service coverage ratio requirements as set forth above shall not constitute an event of default under the Loan Agreement.

The School's revenues are pledged under this bond issuance up to the remaining balance as of June 30, 2024. In the event of default, the maturity date can be accelerated and/or the underlying collateral may be subject to foreclosure.

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Notes to Financial Statements**

**Note 7: LONG-TERM LIABILITIES (Continued)**

***Bonds Payable (continued)***

Annual requirements to amortize all bonded debt outstanding as of June 30, 2024, are as follows:

<i>For the years ending June 30,</i>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 210,000	\$ 1,003,591	\$ 1,214,594
2026	290,000	991,248	1,283,044
2027	300,000	975,572	1,277,438
2028	315,000	960,921	1,277,813
2029	330,000	945,473	
2030-2034	1,900,000	4,468,949	6,383,850
2035-2039	2,410,000	3,955,728	6,377,083
2040-2044	3,055,000	3,304,201	6,379,663
2045-2049	3,880,000	2,477,567	6,381,250
2050-2054	4,920,000	1,429,291	6,377,483
2055-2056	2,940,000	211,636	4,447,538
Less: unamortized bond discount	(287,892)	-	(287,892)
<b>Total</b>	<b>\$ 20,262,108</b>	<b>\$ 20,724,177</b>	<b>\$ 41,111,864</b>

The following is a summary of changes in long-term liabilities:

	<b>Balance, July 1, 2023</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance, June 30, 2024</b>	<b>Due in one year</b>
Bond payable	\$ 20,550,000	\$ -	\$ -	\$ 20,550,000	\$ 210,000
Unamortized discount	(296,842)	-	8,950	(287,892)	-
<b>Total long-term debt</b>	<b>\$ 20,253,158</b>	<b>\$ -</b>	<b>\$ 8,950</b>	<b>\$ 20,262,108</b>	<b>\$ 210,000</b>

***Notes Payable***

The School maintains notes payable with Classical Education Management, L.L.C. and Pineapple Cove Classical Academy at West Melbourne to assist with working capital.

The note payable with Classical Education Management, L.L.C. is unsecured and is subordinate to the bond agreement. The note payable bears interest at 4.25% and is payable monthly at \$20,000 through October 31, 2028.

The note payable with Pineapple Cove Classical Academy at West Melbourne is unsecured and is subordinate to the bond agreement. The note payable bears interest at 1.5% and is payable at \$6,602 through September 2029.

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Notes to Financial Statements**

**Note 7: LONG-TERM LIABILITIES (Continued)**

**Notes Payable (continued)**

Annual requirements to amortize all notes payable outstanding as of June 30, 2024, are as follows:

<i>For the years ending June 30,</i>	<b>Classical Education Management, LLC Principal</b>	<b>Pineapple Cove Classical Academy at West Melbourne Principal</b>	<b>Total</b>
2025	\$ 202,262	\$ 54,433	\$ 256,695
2026	211,027	74,842	285,869
2027	220,173	75,973	296,146
2028	229,715	77,120	306,835
2029	68,531	78,285	146,816
Thereafter	-	19,756	19,756
<b>Total</b>	<b>\$ 931,708</b>	<b>\$ 380,409</b>	<b>\$ 1,312,117</b>

The following is a summary of changes in notes payable:

	<b>Balance, July 1, 2023</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance, June 30, 2024</b>	<b>Due in one year</b>
Due to Classical Education Management, LLC	\$ 471,276	\$ 508,675	\$ (48,243)	\$ 931,708	\$ 202,262
Due to Pineapple Cove Classical Academy at West Melbourne, LLC	-	380,409	-	380,409	54,433
<b>Total long-term debt</b>	<b>\$ 471,276</b>	<b>\$ 889,084</b>	<b>\$ (48,243)</b>	<b>\$ 1,312,117</b>	<b>\$ 256,695</b>

**Lease Liabilities**

The School held or entered into leases for various computer equipment, playground equipment and copiers for use in classrooms. The leases are noncancellable, with original lease terms ranging from thirty-three to sixty-three months. The leases have nonrenewal clauses and computers, playground equipment and copiers revert to the lessor at the end of the lease. The implicit interest rates on the leases range from 1.65% to 13.719% which was used to discount the annual lease payments to recognize the right-of-use assets and operating lease liabilities. For the year ended June 30, 2024, variable lease payments were insignificant and interest expense totaled \$4,208.

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Notes to Financial Statements**

**Note 7: LONG-TERM LIABILITIES (Continued)**

***Lease Liabilities (continued)***

Annual requirements to amortize the lease liability and related interest are as follows:

<i>For the years ending June 30,</i>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 105,677	\$ 8,142	\$ 113,819
2026	39,848	4,494	44,342
2027	34,579	1,111	35,690
Total	\$ 180,104	\$ 13,747	\$ 193,851

Changes in operating lease liabilities during the year are as follows:

	<b>Balance, July 1, 2023</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance, June 30, 2024</b>	<b>Due in one year</b>
Copiers	\$ 52,093	\$ -	\$ (12,703)	\$ 39,390	\$ 12,914
Computers	150,457	-	(81,504)	68,953	68,954
Playground	-	76,035	(4,274)	71,761	23,809
Total long-term debt	\$ 202,550	\$ 76,035	\$ (98,481)	\$ 180,104	\$ 105,677

**Note 8: CONTINGENCIES AND CONCENTRATIONS**

The School receives substantially all of its funding from the State through the District under the FEFP, which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits.

It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Notes to Financial Statements**

**Note 9: RISK MANAGEMENT**

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

The School has entered into a strategic relationship with Paychex Business Solutions, LLC, a human resource management firm, typically known as "Professional Employer Organization" (PEO). Under a co-employment agreement, the PEO is the employer of record and is responsible for administering payroll, payroll taxes, provide employee benefits and assist with human resource management. Accordingly, certain human resource related risks are transferred to the PEO. Nevertheless, the School may be subject to risks, including loss, penalties and fines related to employment practices, administrative error and omissions.

**Note 10: DEFINED CONTRIBUTION RETIREMENT PLAN**

The School's personnel, which are leased through Paychex Business Solutions, LLC, are eligible to participate in a defined contribution 401(k) sponsored by leasing company, covering employees who meet certain age and tenure requirements. Under the Paychex Retirement Services Plan (the "Plan"), the School matches 100% of the employee's contribution up to 3% of the employee's compensation. The School contributed to the Plan \$83,261 for the year ended June 30, 2024. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by Mid-Atlantic Trust Company.



**REQUIRED SUPPLEMENTARY INFORMATION**

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Budgetary Comparison Schedule – General Fund**

<i>For the year ended June 30, 2024</i>	<b>General Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>Revenues</b>			
State passed through local	\$ 6,145,638	\$ 5,541,441	\$ 5,541,441
Local sources	109,366	580,929	580,929
Charges for services	405,080	426,202	426,202
Other	50,000	109,220	109,220
<b>Total revenues</b>	<b>6,710,084</b>	<b>6,657,792</b>	<b>6,657,792</b>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	2,835,243	3,397,246	3,397,246
Student support services	128,886	208,681	208,681
Instruction related technology	57,408	6,204	6,204
Board	929,774	638,310	638,310
School administration	779,792	821,769	821,769
Food services	364,402	-	-
Operation of plant	741,320	828,827	828,827
Community services	254,221	446,647	446,647
<b>Total current expenditures</b>	<b>6,091,046</b>	<b>6,347,684</b>	<b>6,347,684</b>
Excess of revenues over current expenditures	619,038	310,108	310,108
Other financing sources (uses)			
Transfers in (out)	(454,514)	488,004	488,004
Net change in fund balance	164,524	798,112	798,112
Fund balance at beginning of year	(722,216)	(722,216)	(722,216)
Fund balance at end of year	\$ (557,692)	\$ 75,896	\$ 75,896

**Notes to Budgetary Comparison Schedule**

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

**Pineapple Cove Classical Academy at Lockmar, Inc.  
Budgetary Comparison Schedule – Special Revenue Fund**

<i>For the year ended June 30, 2024</i>	<b>Special Revenue Fund</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>Revenues</b>			
Federal through state and local	\$ 154,140	\$ 205,646	\$ 205,646
Charges for services	75,602	94,269	94,269
<b>Total revenues</b>	<b>229,742</b>	<b>299,915</b>	<b>299,915</b>
<b>Expenditures</b>			
Current			
Food services	218,834	395,300	395,300
<b>Total current expenditures</b>	<b>218,834</b>	<b>395,300</b>	<b>395,300</b>
 Excess of revenues over current expenditures	 10,908	 (95,385)	 (95,385)
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
 Excess of revenues over expenditures	 10,908	 (95,385)	 (95,385)
Other financing sources (uses)			
Transfers in (out)	-	95,385	95,385
Net change in fund balance	10,908	-	-
Fund balance at beginning of year	-	-	-
<b>Fund balance at end of year</b>	<b>\$ 10,908</b>	<b>\$ -</b>	<b>\$ -</b>

**Notes to Budgetary Comparison Schedule**

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.



**OTHER REPORT**

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

Board of Directors of  
Pineapple Cove Classical Academy at Lockmar, Inc.  
Palm Bay, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Pineapple Cove Classical Academy at Lockmar, Inc. (the "School") as of, and for the year ended June 30, 2024, 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 20, 2024.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying management letter as ML 2024-1.

We noted certain matters that were reported in a separate management letter pursuant to Chapter 10.850, Rules of the Auditor General dated September 20, 2024.

### **School's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the findings identified in the accompanying management letter. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.

*Cary Riggs & Ingram, L.L.C.*

Tallahassee, Florida  
September 20, 2024



**MANAGEMENT LETTER AND  
INTERNAL CONTROL RECOMMENDATIONS**

## Management Letter as Required by Section 218.39(4) Florida Statutes

To the Board of Directors of  
Pineapple Cove Classical Academy at Lockmar, Inc.  
Palm Bay, Florida

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Pineapple Cove Classical Academy at Lockmar, Inc., Palm Bay, Florida, as of and for the year ended June 30, 2024 and have issued our report thereon dated September 20, 2024.

### 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 those reports and schedules, which are dated September 20, 2024, 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 financial audit report.

### OFFICIAL TITLE

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of Education of the entity is Pineapple Cove Classical Academy at Lockmar, Inc., 05-6529.

## Management Letter as Required by Section 218.39(4) Florida Statutes

### 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 Pineapple Cove Classical Academy at Lockmar, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that Pineapple Cove Classical Academy at Lockmar, 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 Pineapple Cove Classical Academy at Lockmar, Inc. It is management's responsibility to monitor Pineapple Cove Classical Academy at Lockmar, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendation to improve financial management. In connection with our audit, we have the recommendations which are described in the accompanying appendix to the management letter as item 2024-01.

### TRANSPARENCY

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to report the results of our determination as to whether Pineapple Cove Classical Academy at Lockmar, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Pineapple Cove Classical Academy at Lockmar, Inc. maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

### ADDITIONAL MATTERS

Section 10.854(1)(e)4., Rules of the Auditor General, 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 which warrants the attention of those charged with governance. In connection with our audit, we do 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 Florida House of Representatives, the Florida Auditor General, the District School Board of Brevard County, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

*Cary Riggs & Ingram, L.L.C.*

Tallahassee, Florida  
September 20, 2024

**Pineapple Cove Classical Academy at Lockmar, Inc.**  
**Appendix to Management Letter**  
**June 30, 2024**

**CURRENT YEAR OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES:**

**BOND COVENANT NONCOMPLIANCE – 2024-01**

**CRITERIA:** The School's Revenue Bonds include covenants requiring a minimum debt service coverage ratio, as described in the Loan Agreement. The School agrees to maintain a debt service coverage ratio of 1.1 as of June 30, 2024 and each June 30 thereafter.

**CONDITION:** As of June 30, 2024, the calculated debt service coverage ratio was 0.44 which is below the minimum requirement of 1.1.

**CAUSE:** The condition results from management not monitoring the covenant calculation throughout the fiscal year and other factors related to the establishment and growth of a new School.

**EFFECT:** Further noncompliance with the covenant may have an adverse effect on the School's financial position.

**RECOMMENDATION:** We recommend management and the Board engage a management consultant to review and analyze operations and administration of the School and submit to the School, Trustee and Bondholder a written report with recommendations for improvement as allowed by the Loan Agreement.

**VIEWS OF RESPONSIBLE OFFICIALS:** Management and the Board are aware that we did not meet their debt service covenant. This is partly due to the repayment of the debt service reserve fund stemming from the roof replacements required in April 2023 totaling over \$330,000. This loan will be fully repaid in October 2024 and the school will retain those funds. Additionally, the School is eligible for capital outlay funds and local millage revenue funds which will increase incoming cash. Management and the Board foresee no increases in expenditures from last year and will continue to monitor the situation closely throughout the year.