



Pineapple Cove Classical Academy at Lockmar, Inc.
W/L #: 6529
(A Charter School and Component Unit of the
District School Board of Brevard County, Florida)

Palm Bay, Florida

Financial Statements and
Independent Auditor's Report

June 30, 2023

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Pineapple Cove Classical Academy at Lockmar, Inc.
A Charter School and Component Unit of the
District School Board of Brevard County, Florida

W/L #: 6543

720 Emerson Dr NE
Palm Bay, Florida 32907

2022-2023

BOARD OF DIRECTORS

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SCHOOL ADMINISTRATION

Kelly Gunter, Director of School Operations



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 for the period from inception (September 1, 2020) to June 30, 2023, 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 of as of June 30, 2023, and the respective changes in financial position for the period 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.

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Auditors' 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 5 through 9 and 31 to 32 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 29, 2023 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2023

Management's Discussion and Analysis

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

June 30, 2023

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 period from inception to June 30, 2023, the School's first academic year which commenced July 1, 2022 through June 30, 2023.

Financial Highlights

1. The net position of the Charter School at June 30, 2023 was a deficit of (\$3,076,241).
2. At year-end, the School had current assets on hand of \$941,453, including restricted cash of \$802,149.
3. The net position of the School decreased by \$(3,076,241) during the period from inception through June 30, 2023.
4. The unassigned fund balance at period end was a deficit of (\$725,474).

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 period ended June 30, 2023 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.

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 – 30 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 \$(3,076,241) at the close of the fiscal year. A summary of the School's net position as of June 30, 2023 is as follows:

	<u>2023</u>
Cash	\$ 37,736
Cash, restricted	802,149
Prepaid expenses and other assets	3,258
Due from other agencies	98,310
Due from related schools	-
Capital and right-of-use assets, net	<u>17,912,668</u>
Total Assets	<u>18,854,121</u>
Accounts payable and accrued liabilities	465,116
Accrued interest	41,858
Due to related schools	496,404
Due to management company	471,276
Lease liabilities	202,550
Bond payable	<u>20,253,158</u>
Total Liabilities	<u>21,930,362</u>
Net Position:	
Net investment in capital assets	(2,543,040)
Restricted	760,291
Unrestricted	<u>(1,293,492)</u>
Total Net Position	<u>\$ (3,076,241)</u>

A summary and analysis of the School’s revenues and expenses for the years ended June 30, 2023 is as follows:

	<u>2023</u>
REVENUES	
Program Revenues	
Federal sources	\$ 712,973
Capital grants and contributions	376,888
Charges for services	535,495
General Revenues	
Local sources (FTE and other non specific)	4,260,291
Other revenue	<u>94,616</u>
Total Revenues	\$ 5,980,263
EXPENSES	
Instruction	\$ 3,086,244
Instructional media services	3,912
Student support services	145,156
Instructional staff training	3,912
Instruction related technology	83,670
Board	333,621
School administration	779,539
Facilities acquisition	116,472
Food services	299,822
Operation of plant	1,510,532
Community services	305,309
Debt service	<u>2,388,315</u>
Total Expenses	<u>9,056,504</u>
Change in Net Position	(3,076,241)
Net Position at Inception	<u>-</u>
Net Position at End of Period	<u>\$ (3,076,241)</u>

The School was in its first year of operations and recognized revenues and expenses of \$5,980,263 and \$9,056,504, respectively. The School had a deficit in its net position of \$(3,076,241) for the period from inception through June 30, 2023.

Capital Improvement Requirements

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

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 deficit of (\$722,216). The unassigned fund deficit is (\$725,474). 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, 2023 amounts to \$17,912,668 (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 and copier equipment. As of June 30, 2023, the School had long-term liabilities of associated to its capital assets and right of use assets of \$20,455,708.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School’s first academic year, the Board of the School adopted an annual budget for the period from July 1, 2022 through June 30, 2023. A budgetary comparison statement has been provided for the major governmental funds.

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding and other local	\$ -	\$ 188,034	\$ 376,888
Federal sources	125,250	789,977	712,973
Charges for services	-	-	333,895
General Revenues			
FTE and other nonspecific revenues	4,608,381	4,209,422	4,260,291
Charges for services	217,100	209,580	209,771
Other revenues	60,000	150,653	86,445
Total Revenues	\$ 5,010,731	\$ 5,547,666	\$ 5,980,263
CURRENT EXPENDITURES			
Instruction	\$ 2,214,803	\$ 2,978,627	\$ 3,084,301
Instructional media services	-	3,912	3,912
Student support services	231,970	104,795	145,156
Instructional staff training	4,900	4,900	3,912
Instruction related technology	35,000	72,085	83,670
Board	480,872	370,696	333,621
School administration	435,303	798,546	779,014
Food services	168,605	291,779	299,822
Operation of plant	249,615	823,233	1,047,383
Administrative technology services	-	39,535	-
Community services	88,898	148,184	305,309
Total Current Expenditures	\$ 3,909,966	\$ 5,636,292	\$ 6,086,100

Requests for Information

This financial report is designed to provide a general overview of the Pineapple Cove Classical Academy, 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 Academy, Inc., 6162 NW Minton Rd., Palm Bay, FL 32907.

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

Statement of Net Position

June 30, 2023

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 37,736
Cash and cash equivalents, restricted	802,149
Due from other agencies	98,310
Prepaid expenses and other current assets	3,258
Total current assets	<u>941,453</u>
Capital assets, net:	
Capital assets, non-depreciable	905,012
Capital assets, depreciable	17,281,295
Less: accumulated depreciation	(474,336)
Right-of-use lease asset	308,450
Less: accumulated amortization	(107,753)
Total capital assets, net	<u>17,912,668</u>
Total Assets	<u>18,854,121</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	281,219
Accounts payable and accrued expenses	183,897
Accrued interest on bonds	41,858
Due to other schools	496,404
Lease liabilities, current	94,207
Total current liabilities	<u>1,097,585</u>
Bond payable	20,253,158
Lease liability	108,343
Due to management company	471,276
Total liabilities	<u>21,930,362</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
Net Position:	
Net investment in capital assets	(2,543,040)
Restricted by bonds for:	
Debt service and capital projects	760,291
Unrestricted	(1,293,492)
Total Net Position	<u>\$ (3,076,241)</u>

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

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

Statement of Activities

For the period from inception to June 30, 2023

Functions / Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
Instruction	\$ 3,086,244	\$ -	\$ 392,923	\$ -	\$ (2,693,321)
Instructional media services	3,912	-	3,912	-	-
Student support services	145,156	-	-	-	(145,156)
Instructional staff training	3,912	-	-	-	(3,912)
Instruction related technology	83,670	-	-	-	(83,670)
Board	333,621	-	-	-	(333,621)
School administration	779,539	-	41,252	-	(738,287)
Facilities acquisition	116,472	-	-	-	(116,472)
Food services	299,822	65,099	117,889	-	(116,834)
Operation of plant	1,510,532	-	156,997	-	(1,353,535)
Community services	305,309	470,396	-	-	165,087
Debt service	2,388,315	-	-	376,888	(2,011,427)
Total governmental activities	9,056,504	535,495	712,973	376,888	(7,431,148)
General revenues:					
					4,260,291
					17,726
					76,890
					<u>76,890</u>
					Change in net position
					(3,076,241)
					Net position, at inception
					-
					Net position, ending
					<u>\$ (3,076,241)</u>

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

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

Balance Sheet - Governmental Funds

June 30, 2023

	General Fund	Debt Service Fund	Capital Project Funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 37,736	\$ -	\$ -	\$ 37,736
Cash and cash equivalents, restricted	-	668,540	133,609	802,149
Prepaid expenses and other current assets	3,258	-	-	3,258
Due from other agencies	-	-	98,310	98,310
Due from fund	98,310	-	-	98,310
Total Assets	139,304	668,540	231,919	1,039,763
Deferred Outflows of Resources				
	-	-	-	-
<u>Liabilities</u>				
Salaries and wages payable	281,219	-	-	281,219
Accounts payable and accrued expenses	83,897	-	100,000	183,897
Accrued interest on bonds	-	41,858	-	41,858
Due to other schools	496,404	-	-	496,404
Due to fund	-	-	98,310	98,310
Total Liabilities	861,520	41,858	198,310	1,101,688
Deferred Inflows of Resources				
	-	-	-	-
<u>Fund Balance</u>				
Nonspendable, not in spendable form	3,258	-	-	3,258
Restricted	-	626,682	33,609	660,291
Unassigned	(725,474)	-	-	(725,474)
	(722,216)	626,682	33,609	(61,925)
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 139,304	\$ 668,540	\$ 231,919	\$ 1,039,763

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

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds \$ (61,925)

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 fund.

Capital assets, depreciable	18,186,307	
Less: accumulated depreciation	(474,336)	
Right-of-use lease asset	308,450	
Less: accumulated amortization	<u>(107,753)</u>	17,912,668

Long term liabilities in governmental activities are not due and payable in the current period and therefore, are not reported in the governmental funds. (20,926,984)

Total Net Position - Governmental Activities \$ (3,076,241)

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

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the period from inception to June 30, 2023

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Project Funds	Total Governmental Funds
Revenues:					
State passed through local	\$ 4,260,291	\$ -	\$ -	\$ -	\$ 4,260,291
State capital outlay funding	-	-	-	117,679	117,679
Local capital improvement revenue	-	-	-	259,209	259,209
Federal sources	-	-	712,973	-	712,973
Charges for services	209,771	76,890	325,724	-	612,385
Other revenues	9,555	-	8,171	-	17,726
Total Revenues	4,479,617	76,890	1,046,868	376,888	5,980,263
Expenditures:					
Current					
Instruction	2,861,558	-	222,743	-	3,084,301
Instructional media services	-	-	3,912	-	3,912
Student support services	145,156	-	-	-	145,156
Instructional staff training	3,912	-	-	-	3,912
Instruction related technology	83,670	-	-	-	83,670
Board	333,621	-	-	-	333,621
School administration	737,762	-	41,252	-	779,014
Food services	-	-	299,822	-	299,822
Operation of plant	885,106	-	156,997	5,280	1,047,383
Community Services	165,814	-	139,495	-	305,309
Capital Outlay:					
Right-of-use lease asset	-	-	-	308,450	308,450
Other capital outlay	-	-	170,180	18,016,127	18,186,307
Debt Service:					
Redemption of Principal	-	-	-	105,900	105,900
Bond issuance costs	-	497,072	-	-	497,072
Interest and fiscal charges	-	1,887,071	-	4,172	1,891,243
Total Expenditures	5,216,599	2,384,143	1,034,401	18,439,929	27,075,072
Excess (deficit) of revenues over expenditures	(736,982)	(2,307,253)	12,467	(18,063,041)	(21,094,809)
Other financing sources (uses)					
Transfers in (out)	(456,510)	1,265,434	(12,467)	(796,457)	-
Revenue bonds issued	-	1,668,501	-	18,881,499	20,550,000
Discount on revenue bonds	-	-	-	(296,842)	(296,842)
Increase in lease liabilities	-	-	-	308,450	308,450
Increase in long-term payables	471,276	-	-	-	471,276
Net change in fund balance	(722,216)	626,682	-	33,609	(61,925)
Fund Balance at inception	-	-	-	-	-
Fund Balance at end of year	\$ (722,216)	\$ 626,682	\$ -	\$ 33,609	\$ (61,925)

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

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities

For the period from inception to June 30, 2023

Net Change in Fund Balance - Governmental Funds \$ (61,925)

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	18,186,307	
Right of use lease asset capital outlay	308,450	
Depreciation and amortization expense	<u>(582,089)</u>	17,912,668

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	(20,550,000)	
Discount on revenue bonds	296,842	
Increase in long-term lease liabilities	(308,450)	
Principal payments on long-term liabilities	105,900	
Increase in long-term payables	<u>(471,276)</u>	<u>(20,926,984)</u>

Change in Net Position of Governmental Activities \$ (3,076,241)

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

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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 period from inception (September 1, 2020) through June 30, 2023. The academic year ended June 30, 2023, was the first year of operations for the School, where approximately 569 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

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.

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.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies (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 Federal grants, 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 purposes. Also, accounts for the resources of the School's Internal Fund, which is used to administer monies collected in connection with school, student athletics, class and club activities.

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

Measurement Focus and Basis of Accounting

The 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.

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

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

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

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). Money market investment that have maturities of one year or less from the date of acquisition are reported at amortized cost rather than fair value. Amortized cost closely approximates fair value.

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.

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 to use assets are initially measure 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 to use assets are amortized on a straight-line basis over the life of the related lease.

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

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 (computers and copiers)	3 – 5 Years

Inter-fund 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.

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.

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

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

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

Revenue Sources

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

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for 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.

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

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 Schools' policy to use restricted resources first, until exhausted, before using unrestricted resources.

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. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

- a) Nonspendable – includes amounts that cannot be spent because they are either not spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories and prepaid expenses.
- b) Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Restricted balances 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 committed 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.

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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.

Accounting Standard Adopted

In fiscal year 2023, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: 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. The adoption had no material effect on the School's 2023 financial statements.

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

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 29, 2023, which is the date the financial statements were available to be issued.

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 2 – Cash and Restricted Cash

Deposits

Cash is made of deposits and cash on hand totaling \$47,549. 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, 2023, 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 \$802,149 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.

At June 30, 2023, the School had approximately \$797,000 invested in a governmental money market mutual fund that is exempt from GASB 72 fair value hierarchy disclosures. The governmental money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government 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, 2023, 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 government 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, 2023, all of the School's investments in government 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.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 3 – Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the period from inception through June 30, 2023:

	Balance Inception	Additions	Deletions / Reclassification	Balance 06/30/23
Capital Assets, non-depreciable				
Land	\$ -	\$ 905,012	\$ -	\$ 905,012
Capital Assets, depreciable:				
Building and equipment	\$ -	\$ 16,856,567	\$ -	\$ 16,856,567
Improvements	-	18,905	-	18,905
Furniture, fixtures and equipment	-	405,823	-	405,823
Total Capital Assets	\$ -	\$ 18,186,307	\$ -	\$ 18,186,307
Less Accumulated Depreciation:				
Building and equipment	\$ -	\$ (374,153)	\$ -	\$ (374,153)
Improvements	-	(16,869)	-	(16,869)
Furniture, fixtures and equipment	-	(83,314)	-	(83,314)
Total Accum. Deprec.	\$ -	\$ (474,336)	\$ -	\$ (474,336)
Total Capital Assets, being depreciated, net	\$ -	\$ 17,711,971	\$ -	\$ 17,711,971
Lease Assets:				
Right of use lease assets	\$ -	\$ 308,450	\$ -	\$ 308,450
Less accumulated amortization:	-	(107,753)	-	(107,753)
Total Lease Assets being amortized, net	-	200,697	-	200,697
Governmental Activities Capital Assets, net	\$ -	\$ 17,912,668	\$ -	\$ 17,912,668

For the period from inception through June 30, 2023, depreciation and amortization expense is allocated in the Statement of Activities by function as follows:

	Depreciation	Amortization
Facilities acquisition	\$ 116,472	\$ -
Instruction	1,943	-
Operation of plant	355,396	107,753
School administration	525	-
Total Depreciation and Amortization Expense	<u>\$ 474,336</u>	<u>\$ 107,753</u>

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 Charter 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, 2023, the School incurred approximately \$390,000 in fees related to this agreement, with approximately \$15,000 in fees granted to the School.

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).

As of June 30, 2023, the school received long-term advances from Classical Education Management, L.L.C. for working capital. This long-term payable is non-interest bearing with no specific repayment terms. The following summarizes the changes in long-term payables to Classical Education Management, L.L.C.

	Balance Inception	Advances	Repayments	Balance 06/30/23
Due to Classical Education Management	\$ -	\$ 471,276	\$ -	\$ 471,276
Long-term payable	\$ -	\$ 471,276	\$ -	\$ 471,276

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, 2023, the School owed approximately \$375,000 and \$121,000 to Pineapple Cove Classical Academy at West Melbourne, Inc. and Pineapple Cove Classical Academy, Inc., respectively, for expenses paid on behalf of the School.

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, 2023, administrative fees withheld by the School District totaled \$92,278.

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 6 – Interfund Transfers

Interfund transfers in governmental funds as of June 30, 2023, consist of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
Transfers:				
To transfer funds to Debt Service Fund for debt service	\$ (468,977)	\$ -	\$ 1,265,434	\$ (796,457)
To fund lunch program expenditures	(116,834)	116,834	-	-
To reimburse general fund for community service expenditures	129,301	(129,301)	-	-
Total Transfers, net	<u>\$ (456,510)</u>	<u>\$ (12,467)</u>	<u>\$ 1,265,434</u>	<u>\$ (796,457)</u>
Due to General Fund from Capital Projects Fund for capital outlay	\$ 98,310	\$ -	\$ -	\$ (98,310)
Total Due from/(Due to)	<u>\$ 98,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (98,310)</u>

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.

Commencing for the year end June 30, 2024, the School is required to disclose its debt service coverage ratio and days cash on hand as described in the Loan Agreement. 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 45 days of the cash on hand calculation. 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.

The School's revenues are pledged under this bond issuance up to the remaining balance as of June 30, 2023. 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.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7 – Long-Term Liabilities (continued)

Annual requirements to amortize all bonded debt outstanding as of June 30, 2023, are as follows:

Year	Principal	Interest	Total
2024	\$ -	\$ 1,004,594	\$ 1,004,594
2025	210,000	1,004,594	1,214,594
2026	290,000	993,044	1,283,044
2027	300,000	977,438	1,277,438
2028	315,000	962,813	1,277,813
2029-2033	1,815,000	4,568,850	6,383,850
2034-2038	2,295,000	4,082,083	6,377,083
2039-2043	2,915,000	3,464,663	6,379,663
2044-2048	3,700,000	2,681,250	6,381,250
2049-2053	4,690,000	1,687,483	6,377,483
2054-2056	4,020,000	427,538	4,447,538
Less: Unamortized Bond Discount	(296,842)	-	(296,842)
	\$ 20,253,158	\$ 21,854,350	\$ 42,107,508

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

	Balance Inception	Additions	Retirements / Payments	Balance 06/30/23
Governmental Activities:				
Bond Payable	\$ -	\$ 20,550,000	\$ -	\$ 20,550,000
Unamortized Discount	-	(313,250)	16,408	(296,842)
Total Bond Payable	\$ -	\$ 20,236,750	\$ 16,408	\$ 20,253,158

Lease Liabilities

The School held or entered into leases for various computer equipment and copiers for use in classrooms. The leases are noncancellable, with terms ranging from thirty-three to sixty-three months. The leases have nonrenewal clauses and computers and copiers revert to the lessor at the end of the lease. The interest rates on the leases were approximately 1.3% which was used to discount the annual lease payments to recognize the intangible right to use asset and lease liabilities upon adoption of GASB 87. For the period ended June 30, 2023, variable lease payments totaled \$110 and interest expense totaled \$4,172.

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

Year	Principal	Interest	Total
2024	\$ 94,207	\$ 2,632	\$ 96,839
2025	81,868	1,075	82,943
2026	13,129	338	13,467
2027	13,346	120	13,466
	\$ 202,550	\$ 4,165	\$ 206,715

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7 – Long-Term Liabilities (continued)

Changes in long term lease liabilities during the year are as follows:

		<u>Balance</u> <u>Inception</u>	<u>Additions</u>	<u>Retirements /</u> <u>Payments</u>	<u>Balance</u> <u>06/30/23</u>	<u>Due in one year</u>
Copiers	05/01/22	\$ -	\$ 64,587	\$ (12,494)	\$ 52,093	\$ 12,703
Computers	05/01/22	-	243,863	(93,406)	150,457	81,504
		<u>\$ -</u>	<u>\$ 308,450</u>	<u>\$ (105,900)</u>	<u>\$ 202,550</u>	<u>\$ 94,207</u>

Note 8 – Contingencies and Concentrations

Contingencies and Concentrations

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

Construction Contact

As of June 30, 2023, the School had \$100,000 due to the general contractor in connection with the construction and building improvements.

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 agreements, 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.

Pineapple Cove Classical Academy at Lockmar, Inc.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 \$45,332 for the year ended June 30, 2023. 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.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the year ended June 30, 2023

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 4,608,381	\$ 4,209,422	\$ 4,260,291
Charges for services	217,100	209,580	209,771
Other revenue	60,000	150,653	9,555
Total Revenues	<u>4,885,481</u>	<u>4,569,655</u>	<u>4,479,617</u>
EXPENDITURES			
Current:			
Instruction	2,214,803	2,755,883	2,861,558
Student support services	231,970	104,795	145,156
Instructional staff training	4,900	4,900	3,912
Instruction related technology	35,000	72,085	83,670
Board	480,872	370,696	333,621
School administration	435,303	757,294	737,762
Operation of plant	249,615	666,237	885,106
Administrative technology services	-	39,535	-
Community Services	88,898	148,184	165,814
Total Current Expenditures	<u>3,741,361</u>	<u>4,919,609</u>	<u>5,216,599</u>
Excess of Revenues			
Over Current Expenditures	<u>1,144,120</u>	<u>(349,954)</u>	<u>(736,982)</u>
Other financing sources (uses):			
Transfers in (out)	-	-	(456,510)
Increase in long-term payables	<u>-</u>	<u>-</u>	<u>471,276</u>
Net change in fund balance	1,144,120	(349,954)	(722,216)
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 1,144,120</u>	<u>\$ (349,954)</u>	<u>\$ (722,216)</u>

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.

A Charter School and Component Unit of the District School Board of Brevard County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the year ended June 30, 2023

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	\$ 125,250	\$ 789,977	\$ 712,973
Charges for services and other revenues	-	-	333,895
Total Revenues	<u>125,250</u>	<u>789,977</u>	<u>1,046,868</u>
EXPENDITURES			
Current:			
Instruction	-	222,744	222,743
Instructional media services	-	3,912	3,912
School administration	-	41,252	41,252
Food services	168,605	291,779	299,822
Operation of Plant	-	156,996	156,997
Community services	-	-	139,495
Total Current Expenditures	<u>168,605</u>	<u>716,683</u>	<u>864,221</u>
Excess (Deficit) of Revenues Over Current Expenditures	<u>(43,355)</u>	<u>73,294</u>	<u>182,647</u>
Capital Outlay	-	161,377	170,180
Total Expenditures	<u>168,605</u>	<u>878,060</u>	<u>1,034,401</u>
Excess (Deficit) of Revenues Over Expenditures	(43,355)	(88,083)	12,467
Other financing sources (uses)			
Transfers in (out)	<u>43,355</u>	<u>88,083</u>	<u>(12,467)</u>
Net change in fund balance	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Budgetary Comparison Schedule

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



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

Board of Directors of
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 period from inception (September 1, 2020) through June 30, 2023, 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 29, 2023.

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.

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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*.

We noted certain matters that were reported in a separate management letter pursuant to Chapter 10.850, Rules of the Auditor General dated September 29, 2023.

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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2023



MANAGEMENT LETTER

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 period from inception (September 1, 2020) through June 30, 2023 and have issued our report thereon dated September 29, 2023.

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 Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated September 29, 2023, 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.

This is the School's first year of operations.

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.

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 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 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 ’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 ML – 23-01.

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 maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that 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 recommendations.

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.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2023

Appendix to Management Letter
Current Year's Observations, Recommendations, and Management's Responses
June 30, 2023

ML – 23-01 Total Fund Balance Deficit

Criteria: Pursuant to Sections 218.95(5), Florida Statutes, the auditor must notify each member of the governing body for which a fund balance deficit in total or for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net asset deficit, as reported on the fund financial statements of entities required to report under governmental financial reporting standards or on the basic financial statements of entities required to report under not-for-profit financial reporting standards, for which sufficient resources of the local governmental entity, charter school, charter technical career center, or district school board, as reported on the fund financial statements, are not available to cover the deficit.

Condition: The School has a total unassigned fund balance deficit of \$725,474 and a deficit in the unrestricted net position \$1,293,492 at June 30, 2023.

Cause: The 2022-2023 school year was the School's first year of operations and the School completed a full renovation and construction of the facilities which includes one-time costs that are not reoccurring in future years. Additionally, the School made significant investments in faculty and staffing, professional development, technology and curriculum.

Effect: The School has a total unassigned fund balance deficit of \$725,474 and a deficit in the unrestricted net position \$1,293,492 at June 30, 2023.

**Recom-
mendation:** The School needs to continue to properly budget its expected revenues and expenditures for the following school year so that it can improve its financial position. The format of the budget should closely match that of the financial statements and include all financial activity and cash flow projections. This will allow for useful comparisons between budgeted and actual financial information as well as enable more meaningful and precise analysis of budget variances.

**Views of
Responsible**

Officials: The school has already completed the fiscal year 2023-2024 school budget, which is approved by the governing board, showing a resolution of the deficit identified in fiscal year 2023 and a healthy fund balance at the close of fiscal year 20 24 of \$287,923 in the general fund. This is achieved through a large increase in enrollment (140+ students), surtax eligibility throughout the year, stable staffing requirements, and new source of revenue in a share of the capital improvement millage and local millage supplements. The negative fund balance present at the close of FY 23 is a result of the construction costs and tax-exempt bond expenditures related to the financing deal of the school. Such costs must be accounted for in the year the bonds were issued. A copy of the fiscal year 2023-2024 budget has been provided to the district and bondholders.

It is of note that the school paid timely all payroll expenditures and employee costs, accounts payable, and debt service payments for fiscal year 2023.