

Pinecrest Academy (South Campus)
WL# 0342
(A Charter School under Pinecrest Academy, Inc.)

Miami, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2016

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Pinecrest Academy (South Campus)
WL# 0342

15130 SW 80th Street
Miami, FL 33193

2015-2016

BOARD OF DIRECTORS

Judith Marty, Chair and President, Director
Shannie Sadesky, Vice-Chair, Director
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SCHOOL ADMINISTRATION

Elaine Clemente, Principal



INDEPENDENT AUDITORS' REPORT

Board of Directors
Pinecrest Academy (South Campus)
Miami, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Pinecrest Academy (South Campus) (the "School"), a charter school under Pinecrest Academy, Inc., as of, and for the year ended June 30, 2016, which collectively comprises the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Pinecrest Academy (South Campus) at June 30, 2016, 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.

Other Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Pinecrest Academy (South Campus) at June 30, 2016, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Pinecrest Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Pinecrest Academy, Inc. as of June 30, 2016 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2016, 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* and should be considered in assessing the results of our audit.

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 10 and 30 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Coral Gables, Florida
August 29, 2016


CERTIFIED PUBLIC ACCOUNTANTS

Management's Discussion and Analysis
Pinecrest Academy (South Campus)
(A Charter school Under Pinecrest Academy, Inc.)
June 30, 2016

The corporate officers of Pinecrest Academy (South Campus) have prepared this narrative overview and analysis of the school's financial activities for the year ended June 30, 2016.

Financial Highlights

1. The net position of the School at June 30, 2016 was \$3,937,278.
2. At year-end, the School had current assets on hand of \$3,016,053.
3. The School had an increase in its net position of \$406,969 during the year ended June 30, 2016.
4. The unassigned fund balance at year end was \$2,287,330.

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, 2016 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, and deferred outflows of resources and 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 11 – 12 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 general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 13 - 17 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 18 - 29 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Assets exceeded liabilities by \$3,937,278 at the close of the fiscal year. As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. A summary of the School's net position as of June 30, 2016 and 2015 follows:

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 134,424 | \$ 2,479,513 |
| Investments | 2,750,000 | - |
| Due from other agencies | 9,271 | 16,470 |
| Prepaid expenses and other assets | 122,358 | 113,632 |
| Capital Assets, net | 420,241 | 361,484 |
| Due from Pinecrest Academy, Inc. | 800,000 | 800,000 |
| Total Assets | <u>4,236,294</u> | <u>3,771,099</u> |
| Deferred outflows of resources | - | 51,750 |
| Salaries and wages payable | 266,505 | 241,124 |
| Deposits | 32,511 | 51,416 |
| Total Liabilities | <u>299,016</u> | <u>292,540</u> |
| Deferred inflows of resources | - | - |
| Net Position: | | |
| Net investment in capital assets and long term receivables | 1,220,241 | 1,161,484 |
| Restricted by lease agreement | 307,349 | 298,180 |
| Unrestricted | 2,409,688 | 2,070,645 |
| Total Net Position | <u>\$ 3,937,278</u> | <u>\$ 3,530,309</u> |

At the end of the year, the School is able to report positive balances in total net position.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2016 and 2015 follows:

| | <u>2016</u> | <u>2015</u> |
|------------------------------------|---------------------|---------------------|
| REVENUES | | |
| Program Revenues | | |
| Operating Grants and Contributions | \$ - | \$ 3,305 |
| Capital Outlay Funding | 175,837 | 279,613 |
| Lunch Program | 254,500 | 254,671 |
| Charges for Services | 372,224 | 291,000 |
| General Revenues | | |
| Local Sources(FTE non specific) | 5,308,008 | 5,176,163 |
| Other Revenues | 36,414 | 92,259 |
| Total Revenues | <u>\$ 6,146,983</u> | <u>\$ 6,097,011</u> |
| EXPENSES | | |
| Component Unit Activities: | | |
| Instruction | \$ 3,008,245 | \$ 2,925,203 |
| Instructional staff training | 4,833 | 3,002 |
| Board | 92,000 | 93,700 |
| School administration | 712,834 | 670,735 |
| Facilities acquisition | 63,693 | 10,043 |
| Fiscal services | 112,500 | 112,575 |
| Food services | 324,851 | 333,362 |
| Central services | 118,932 | 119,646 |
| Operation of plant | 1,201,744 | 1,243,594 |
| Maintenance of plant | 100,382 | 86,767 |
| Community services | - | 4,106 |
| Total Expenses | <u>5,740,014</u> | <u>5,602,733</u> |
| Increase in Net Position | 406,969 | 494,278 |
| Net Position at Beginning of Year | <u>3,530,309</u> | <u>3,036,031</u> |
| Net Position at End of Year | <u>\$ 3,937,278</u> | <u>\$ 3,530,309</u> |

During the year, the School's revenues and expenses increased by \$49,972 and \$137,281. The School had an increase in its net position of \$406,969.

School Location and Lease of Facility

The School leases facilities located at 15130 S.W. 80th Street, Miami, Florida 33193.

Accomplishments

In 2016, Pinecrest Academy (South Campus) completed its ninth year of operations, enrolling 750 students in grades K-8. The School earned a letter grade of "A" for the 10th consecutive year, ranking as one of the highest-performing public elementary schools in Miami-Dade County, and among the top public elementary schools in Florida. This past year, students and teachers of Pinecrest Academy South were recognized for various accomplishments:

Accolades:

- Earned a School Grade of A+ and recognized as a high performing charter school from the Florida Department of Education.
- Our school was recognized as a Silver Level Model PBIS School
- Implemented the Project Lead the Way Launch Program and served as a model school for local elementary schools

- Pinecrest Academy South hosted the first Florida State VEX IQ Qualifier
- VEX IQ Robotics Competition – Our Robotics Competitive team participated in the VEX IQ 305 league and received the following recognitions:
 - Four *Elementary School Excellence Award*
 - Two *Teamwork Champion Award*
 - Two *Programming Skills Champion Award*
 - Two *Robot Skills Champion Award*
 - Two *Design Award*
 - One *STEM Research Project Award*
 - One *Judges Award*

The team qualified for the VEX State Championship at USF in Tampa, Florida in which two robots won second place. These two robots qualified for the VEX Robotics World Championship in Louisville, Kentucky. At the VEX World Championship our team competed with teams from all over the world including China, Hawaii, Mexico, Puerto Rico and South Korea. Pinecrest Academy ranked 25th out of 250 teams in the world and qualified for the finals. We placed in the 12th alliance in the world! Our robotics team was featured in the Miami Herald.

- Our Art Club students participated in the following events throughout the school year:
 - Received Honorable Mention at the *The Annual Impressions in Watercolor Exhibition* sponsored by the Miami Watercolor Society.
 - *Small Works Show* at the Miami International University of Art and Design.
 - *Holiday Showcase* at the Kendale Lakes Library sponsored by commissioner Zapata.
 - Fine Arts Exhibit at the Youth Fair.
 - Honorable mention at the *The Art of Found Objects* an art show sponsored by Ocean Bank and the Education Fund.
 - *A Taste of the Tropics* Art Show at Pinecrest Gardens.
 - SECME competition – banner and patch design.
 - Fairchild Tropical Gardens – Million Orchid Project.
 - Our own *Art is a Way* showcasing all student artists in grades 2-5.
 - Artwork selected as cover art for all promotional materials by the Education Fund for their yearly charity auction “For the Love of ART”
- Green Schools Challenge- The Green Team participated in the Green Schools Challenge and recognized with the Green Rising Star Award at the Dream in Green Academy Awards Ceremony
- National Elks Free Throw Shooting Contest- Students received the District, Regional and State level awards.
- Participation in the National Fit to Achieve Day- Students competed against other Miami-Dade Elementary schools. Our students won individual medals in jump rope and basketball competitions.
- Competition Cheerleading Team- Our cheerleaders participated in various competitions. They won first place at the COA and Epic Brands Beach Bash competitions.
- Boys’ Basketball Team- Won the 2016 championship
- SECME Team- The team won the essay award in the SECME competition, participated in the PPMH Engineering Challenge and won first place and an honorable mention.
- Odyssey of the Mind- Students participated in a regional completion and won third place in the elementary division.

Activities:

- Clubs/Extracurricular Activities offered: Teachers of Tomorrow, Art Club, Safety Patrol, Chorus, Drama, Dance, Basketball, Citizens in Action, Cheerleading, Morning News Crew, Green Team, SECME, Odyssey of the Minds, Jump Rope, Little Miss Manners, Robotics for Beginners, and Robotics Competitive Team, and National Elementary Honor Society
- Outsourced Extracurricular Activities offered: Basketball, Soccer, Karate, and Tennis
- School wide Character Education Program- All students in Kindergarten thru 5th grade have the opportunity to earn our Pinecrest Pirate Lanyard of Honor. Students receive pins in recognition for

their academic, behavioral and extracurricular accomplishments. Quarterly Pirate activities are conducted and students can cash in loot for events or visit the Loot Store to purchase items with their loot.

- Accelerated Reader Celebrations- Students are rewarded with ice cream parties for meeting their quarterly goals.
- The Art Club- created and donated an artwork to the Education Fund's teaching galleries at the Ocean Bank Center for Educational Materials. The galleries display student and teacher art created with materials from the center. This artwork is then entered in the silent art auction, For the Love of Art, which raises funds to further students' access to the arts in our public school system.
- National Elementary Honor Society- NEHS members volunteered during the award ceremonies at school. Students participated in the Baynanza Beach Clean Up at the Biscayne Nature Center.
- Teachers of Tomorrow Club of the Florida Future Educators of America Program- The 2015-2016 club earned the Florida Future Educators of America "Outstanding Chapter" Award for the Elementary and Middle School Division. The Teachers of Tomorrow participated in weekly meetings as well as in weekly "Career Shadowing", where they shadowed a teacher during the school year. In addition, members collected non-perishable food from the families at PAC. They placed the foods in boxes and took them the Chapman Partnership in Homestead, a shelter that serves children and adults. While at the shelter they prepared and served sandwiches to the residents.
- Green Team- The team collected and recycled paper and maintained the school garden. Their team completed several challenges as part of the Tropical Fairchild Garden.
- Citizen in Action- The C.I.A. club participated in the Baynanza Beach Cleanup at the Biscayne Nature Center. Club members coordinated mock primary elections in the school's library in which all students were able to vote.
- Cheerleaders- Raised money for the Duchenne Muscular Dystrophy Foundation
- Robotics Team- Live Like Bella Sock Hop- Our students raised \$6,000 to benefit the Live Like Bella Foundation. The team went on a field trip to a school where they taught the students how to build a robot.
- ING Marathon- Our students participated in the ING Miami Marathon Kids final mile
- Jump Rope Club- Raised \$13,000 for the American Heart Association through the Jump Rope for Heart Initiative.

Events:

- Career Day- Students were exposed to different careers through small presentations made by our local community members.
- Field Day- Students in all grade levels participated in outdoor games and Olympic style activities.
- Holiday Show- Chorus, Drama, Dancers and students in Pre-Kindergarten through 5th grade - performed at The South Miami-Dade Cultural Arts Center
- Scholastic Book Fair Family Night- Students and families enjoyed decorating cookies while shopping at our book fair
- Barnes and Noble Night Fundraiser - chorus students performed while students visited arts and crafts and cupcake decorating stations
- Walk Safe Activities-Through our Physical Education program, we incorporated activities that promoted safe walking. Students were taught how to be a safe pedestrian.
- Red Ribbon Week- Students listened to lessons, through the morning announcements, on how to live a healthy and drug-free life.
- Storybook Character Parade- Administrators and staff joined students in dressing up as their favorite storybook characters.
- "A" Week to Remember- Students participated in various activities to celebrate the school's "A" grade. The week culminated with an "A" Day Party in which students enjoyed popcorn, cotton candy, snow cones, and bounce houses to celebrate our school's great achievement.

- FSA Incentives and Rewards - Students that achieved high scores on the FSA were awarded a field trip to Sky Zone to celebrate their achievements.
- Chapman Partnership in Homestead – Each grade level donated various food items that were delivered to families in need.
- School-Wide Recycling Program – Green Team Club members collected recycled papers each week to help keep our earth clean.
- Science Fair Night- Our students participated in our Science Fair competition. Families were invited to see all of the projects and to participate in projects sponsored by the kindergarten through second grade teachers.
- STEM Family Night- Families were invited to see what the robotics clubs was working on throughout the school year, drive robots, program, and participate in science challenges.

Fundraisers:

- The following fundraisers helped raise over \$29,000 in enhancing the school’s facility and educational resources: Weekly bake sales, Mrs. Field’s Cookie Dough, Jean Days, Pictures, and Dress Down Days.

Pinecrest Academy South Campus has implemented a noteworthy School wide Character Education Program where all students in Kindergarten thru 5th grade have the opportunity to earn the “Pinecrest Pirate Lanyard of Honor.” Students receive their first lanyard and a pin as recognition for their academic, behavioral and extracurricular accomplishments. When one visits the classrooms, hallways, cafeteria, playground and restrooms, they can read the Expectations of a Pinecrest Pirate. All staff members are loaded with loot and can award students when caught being Passionate, Inquisitive, Respectful, Assertive, Team players that are Empathetic. Monthly Pirate activities are conducted and students can cash in loot for events such as Build Your Own Sundae, Summer Games, Dance Off with Administration and Sports celebrations. Pinecrest Academy South Campus is fully accredited by AdvancEd under the Southern Association of Colleges and Schools (SACS –CASI) division.

Capital Improvement Requirements

The School maintains a continuous capital improvement 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 balance of \$2,717,037. The fund balance unassigned and available for spending at the School's discretion is \$2,287,330. These funds will be available for the School's future ongoing operations.

Capital Assets

The School's investment in capital assets as of June 30, 2016 amounts to \$420,241 (net of accumulated depreciation). This investment in capital assets includes building and improvements and furniture, fixtures, computer equipment and textbooks.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

| | Governmental Fund | | |
|---------------------------------------|---------------------|---------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Program Revenues | | | |
| State capital outlay funding | \$ 141,700 | \$ 175,900 | \$ 175,837 |
| Lunch program | 250,000 | 250,000 | 254,500 |
| General Revenues | | | |
| FTE nonspecific revenues | 5,247,231 | 5,300,000 | 5,308,008 |
| Charges and other revenues | 380,000 | 406,000 | 408,638 |
| Total Revenues | <u>\$ 6,018,931</u> | <u>\$ 6,131,900</u> | <u>\$ 6,146,983</u> |
| CURRENT EXPENDITURES | | | |
| Component Unit Activities | | | |
| Instruction | \$ 2,943,197 | \$ 2,930,000 | \$ 2,922,143 |
| Instructional staff training services | 2,000 | 5,000 | 4,833 |
| Board | 97,500 | 92,000 | 92,000 |
| School administration | 750,000 | 720,000 | 712,834 |
| Fiscal services | 112,500 | 112,500 | 112,500 |
| Food services | 348,187 | 325,000 | 323,172 |
| Central services | 98,188 | 120,000 | 118,932 |
| Operation of plant | 1,130,253 | 1,164,453 | 1,173,598 |
| Maintenance of plant | 119,775 | 120,000 | 97,000 |
| Total Current Expenditures | <u>\$ 5,601,600</u> | <u>\$ 5,588,953</u> | <u>\$ 5,557,012</u> |

Most variances occurred as a result of the budget adopted being more conservative than actual results for the year.

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC, 6340 Sunset Drive, Miami, Florida 33143.

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Statement of Net Position
June 30, 2016

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| <u>Assets</u> | |
| Current Assets: | |
| Cash and cash equivalents | \$ 134,424 |
| Investments | 2,750,000 |
| Due from other agencies | 9,271 |
| Prepaid expenses and other assets | <u>122,358</u> |
| | 3,016,053 |
| Capital assets, depreciable | 2,087,814 |
| Less: accumulated depreciation | <u>(1,667,573)</u> |
| | 420,241 |
| Due from Pinecrest Academy, Inc. | <u>800,000</u> |
| Total Assets | <u>4,236,294</u> |
| <u>Deferred Outflows of Resources</u> | |
| | <u>-</u> |
| <u>Liabilities</u> | |
| Current Liabilities: | |
| Salaries and wages payable | 266,505 |
| Deposits | <u>32,511</u> |
| Total Liabilities | <u>299,016</u> |
| <u>Deferred Inflows of Resources</u> | |
| | <u>-</u> |
| Net Position: | |
| Net investment in capital assets and long term receivables | 1,220,241 |
| Restricted by lease agreement | 307,349 |
| Unrestricted | <u>2,409,688</u> |
| Total Net Position | <u>\$ 3,937,278</u> |

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

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Statement of Activities
For the year ended June 30, 2016

| FUNCTIONS | 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 | \$ 3,008,245 | \$ 308,931 | \$ - | \$ - | \$ (2,699,314) |
| Instructional staff training | 4,833 | - | - | - | (4,833) |
| Board | 92,000 | - | - | - | (92,000) |
| School administration | 712,834 | - | - | - | (712,834) |
| Facilities acquisition | 63,693 | - | - | - | (63,693) |
| Fiscal services | 112,500 | - | - | - | (112,500) |
| Food services | 324,851 | 63,772 | 190,728 | - | (70,351) |
| Central services | 118,932 | - | - | - | (118,932) |
| Operation of plant | 1,201,744 | 63,293 | - | 175,837 | (962,614) |
| Maintenance of plant | 100,382 | - | - | - | (100,382) |
| Total Governmental Activities | 5,740,014 | 435,996 | 190,728 | 175,837 | (4,937,453) |
| General revenues: | | | | | |
| FTE nonspecific revenues | | | | | 5,308,008 |
| Fundraising and other revenue | | | | | 36,414 |
| Change in net position | | | | | 406,969 |
| Net position, beginning | | | | | 3,530,309 |
| Net position, ending | | | | | \$ 3,937,278 |

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

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Balance Sheet - Governmental Funds
June 30, 2016

| | General Fund | Special Revenue Fund | Total Governmental Funds |
|--|---------------------|-------------------------|-----------------------------|
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$ 134,424 | \$ - | \$ 134,424 |
| Investments | 2,750,000 | - | 2,750,000 |
| Prepaid expenses and other assets | 122,358 | - | 122,358 |
| Due from other agencies | - | 9,271 | 9,271 |
| Due from other funds | 9,271 | - | 9,271 |
| Total Assets | <u>3,016,053</u> | <u>9,271</u> | <u>3,025,324</u> |
| <u>Deferred Outflows of Resources</u> | | | |
| | - | - | - |
| <u>Liabilities</u> | | | |
| Accrued liabilities | 266,505 | - | 266,505 |
| Due to other funds | - | 9,271 | 9,271 |
| Deposits | 32,511 | - | 32,511 |
| Total Liabilities | <u>299,016</u> | <u>9,271</u> | <u>308,287</u> |
| <u>Deferred Inflows of Resources</u> | | | |
| | - | - | - |
| <u>Fund balance</u> | | | |
| Nonspendable, not in spendable form | 122,358 | - | 122,358 |
| Restricted | 307,349 | - | 307,349 |
| Unassigned | 2,287,330 | - | 2,287,330 |
| | <u>2,717,037</u> | <u>-</u> | <u>2,717,037</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 3,016,053</u> | <u>\$ 9,271</u> | <u>\$ 3,025,324</u> |

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

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
For the year ended June 30, 2016

| | |
|--|---------------------|
| Total Fund Balance - Governmental Funds | \$ 2,717,037 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets of \$2,087,817 net of accumulated depreciation of \$1,667,576 used in governmental activities are not financial resources and therefore are not reported in the fund. | 420,241 |
| Long term receivable from other divisions of Pinecrest Academy, Inc. used in governmental activities are not financial resources and therefore are not reported in the fund. | <u>800,000</u> |
| Total Net Position - Governmental Activities | <u>\$ 3,937,278</u> |

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

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2016

| | General Fund | Special Revenue Fund | Total Governmental Funds |
|--|---------------------|-------------------------|--------------------------------|
| Revenues: | | | |
| State capital outlay funding | \$ - | \$ 175,837 | \$ 175,837 |
| State passed through local | 5,308,008 | - | 5,308,008 |
| Federal lunch program | - | 190,728 | 190,728 |
| Student lunch fees | - | 63,772 | 63,772 |
| Charges for services | 372,224 | - | 372,224 |
| Other revenue | 36,414 | - | 36,414 |
| Total Revenues | <u>5,716,646</u> | <u>430,337</u> | <u>6,146,983</u> |
| Expenditures: | | | |
| Current | | | |
| Instruction | 2,922,143 | - | 2,922,143 |
| Instructional staff training services | 4,833 | - | 4,833 |
| Board | 92,000 | - | 92,000 |
| School administration | 712,834 | - | 712,834 |
| Fiscal services | 112,500 | - | 112,500 |
| Food services | - | 323,172 | 323,172 |
| Central services | 118,932 | - | 118,932 |
| Operation of plant | 997,761 | 175,837 | 1,173,598 |
| Maintenance of plant | 97,000 | - | 97,000 |
| Capital outlay: | | | |
| Other capital outlay | 190,009 | - | 190,009 |
| Total Expenditures | <u>5,248,012</u> | <u>499,009</u> | <u>5,747,021</u> |
| Excess (deficit) of Revenues Over Expenditures | 468,634 | (68,672) | 399,962 |
| Other financing sources | | | |
| Transfers in and (out) | (68,672) | 68,672 | - |
| Net change in fund balance | <u>399,962</u> | <u>-</u> | <u>399,962</u> |
| Fund Balance at beginning of year | 2,317,075 | - | 2,317,075 |
| Fund Balance at end of year | <u>\$ 2,717,037</u> | <u>\$ -</u> | <u>\$ 2,717,037</u> |

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

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2016

Change in Fund Balance - Governmental Funds \$ 399,962

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 are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$190,009 differed from depreciation expense of \$131,251. 58,758

Governmental funds report intangible costs as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as amortization expense. This is the amount by which intangible cost outlays of \$0 differed from amortization expense of \$51,751. (51,751)

Change in Net Position of Governmental Activities \$ 406,969

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

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Statement of Net Position - Fiduciary Funds
June 30, 2016

| | <u>Agency Funds</u> |
|--|---------------------|
| <u>Assets</u> | |
| Cash | \$ 12,426 |
| Total Assets | <u>12,426</u> |
| <u>Deferred Outflows of Resources</u> | <u>-</u> |
| <u>Liabilities</u> | |
| Due to students and clubs | <u>12,426</u> |
| Total Liabilities | 12,426 |
| <u>Deferred Inflows of Resources</u> | <u>-</u> |
| <u>Net position</u> | <u>\$ -</u> |

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Pinecrest Academy (South Campus) (the "School"), is a charter school sponsored by the School Board of Miami-Dade County, Florida (the "District"). The Schools' charter is held by Pinecrest Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Pinecrest Academy, Inc., which is composed of six members and also governs other charter schools. The board of directors 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 granted by the sponsoring district, the School Board of Miami-Dade County, Florida. The current charter expires on June 30, 2031 and is renewable for an additional term pursuant to law and/or by a mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the 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 charters expiration. During the term of the charter, the District may terminate the charter if good cause is shown.

The School's location is in Miami, Florida for children from kindergarten through fifth grade and is funded by the District. These financial statements are for the year ended June 30, 2016, when a total of approximately 750 students were enrolled for the school year.

The charter school contract between the School Board of Miami Dade County and Pinecrest Academy, Inc. on behalf of Pinecrest Academy (South Campus) was amended to consolidate the charter with Pinecrest Palms Academy (WL# 4364) into one charter servicing grades kindergarten through grade five. This was in effect for the 2015- 2016 school year. The consolidated school is identified by WL#0342.

Basis of Presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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.

Note 1 – Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of net 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.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information about the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements do not include fiduciary funds.

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, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. Other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds, even though the fiduciary funds are not included in the government-wide financial statements. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. Major individual governmental funds are reported as separate columns in the fund financial statements:

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

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

Agency Fund - accounts for resources of the School's Internal Fund, which is used to administer monies collected at the schools in connection with school, student athletics, class, and club activities.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*. The government-wide statements report using the economic resources measurement focus and the full 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.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Agency fund assets and liabilities are accounted for on the accrual basis of accounting.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts.

The School has not adopted a formal investment policy; however the School invests excess deposit funds in a government money market mutual fund. The School has adopted GASB No. 72 *Fair Value Measurement and Application* (see Note 2).

Due from Other Governments or Agencies

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

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 \$500 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 disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

| | |
|---------------------------|---------------|
| Building and Improvements | 10 - 20 Years |
| Furniture and Equipment | 5 Years |
| Textbooks and Software | 3 Years |

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a "benefit year"). In the event that available time is not used by the end of the benefit year, employees may "rollover" all unused days for use in future benefit years. There is an opportunity to "cash out" unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year.

Note 1 – Summary of Significant Accounting Policies (continued)

Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days in order to cash out. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick 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.

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and 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.

In addition, 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 lease of school facilities.

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. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position and Fund Balance Classifications

Government-wide financial statements

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

- a) Net investment in capital assets and long term receivables - 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 and long term receivables.
- b) Restricted net position - consists of balances 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 balances that do not meet the definition of "restricted" or "net investment in capital assets and long term receivables."

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 list 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 inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
- b) Restricted – this classification includes fund balance category amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 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 year 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 year 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Income Taxes

Pinecrest Academy, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying 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 August 29, 2016, which is the date the financial statements were available to be issued.

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.

Inter-fund Transfers

Outstanding balances between funds are reported as "due to/from" other funds. Inter-fund transfers are made to move any excess or shortage of funds derived from the National School Lunch Program from the Special Revenue Fund to the General Fund.

Note 2 – Cash, Cash Equivalents and Investments

Deposits

The School maintains its cash and cash equivalents in two financial institutions. As of June 30, 2016, the School's deposits consisted of cash balances of \$339,922. Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Pinecrest Academy, Inc., which also operates various other charter schools.

Note 2 – Cash, Cash Equivalents and Investments (continued)

All bank accounts are opened under the account ownership of Pinecrest Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2016, bank balances in potential excess of FDIC coverage was approximately \$368,322; including fiduciary account bank balances.

Investments

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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, 2016, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$2.8 million valued using Level 2 inputs.

The government 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 January 1, 2016, the fund's annual report, maturities of the fund's portfolio holdings are approximately 83% 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, 2016, all of the School's investments in government money market mutual funds were held in a separate account 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.

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)
Notes to Financial Statements
June 30, 2016

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, 2016:

| | <u>Balance 07/01/15</u> | <u>Additions</u> | <u>Retirements/ Reclassifications</u> | <u>Balance 06/30/16</u> |
|------------------------------------|-----------------------------|------------------|---|-----------------------------|
| Capital Assets: | | | | |
| Buildings and Improvements | \$ 159,937 | \$ 16,203 | \$ - | \$ 176,140 |
| Computer equipment and software | 480,045 | 69,034 | - | 549,079 |
| Furniture, equipment and textbooks | <u>1,257,823</u> | <u>104,772</u> | - | <u>1,362,595</u> |
| Total Capital Assets | 1,897,805 | 190,009 | - | 2,087,814 |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | (65,142) | (9,108) | - | (74,250) |
| Computer equipment and software | (364,976) | (43,936) | - | (408,912) |
| Furniture, equipment and textbooks | <u>(1,106,204)</u> | <u>(78,207)</u> | - | <u>(1,184,411)</u> |
| | (1,536,322) | (131,251) | - | (1,667,573) |
| Capital Assets, net | <u>\$ 361,483</u> | <u>\$ 58,758</u> | <u>\$ -</u> | <u>\$ 420,241</u> |

For the fiscal year ended June 30, 2016, depreciation expense is allocated in the Statement of Activities by function as follows:

| | | |
|----------------------------|-----------|----------------|
| Instruction | \$ | 86,101 |
| Facilities acquisition | | 11,943 |
| Food services | | 1,679 |
| Operation of plant | | 28,146 |
| Maintenance of plant | | <u>3,382</u> |
| Total Depreciation Expense | <u>\$</u> | <u>131,251</u> |

Note 4 – Education Service and Support Provider

Academica Dade, LLC, an education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting and virtual education services. The agreement calls for a fee on a per student basis.

The agreement with Pinecrest Academy, Inc. is for a period of five years, through June 30, 2021, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2016, the School incurred approximately \$337,500 in fees.

Academica Dade, LLC is located at 6340 Sunset Drive, Miami, Florida 33143.

Note 5 – Transactions with Other Divisions of Pinecrest Academy, Inc.

The School made long term, non-interest bearing advances to Pinecrest Academy, Inc. The outstanding balance at June 30, 2016 was as follows:

| | Balance 07/01/15 | Additions | Deletions | Balance 06/30/16 |
|-----------------------------|---------------------|-------------|-------------|---------------------|
| Pinecrest Academy, Inc. | <u>\$ 800,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 800,000</u> |
| Total Long Term Receivables | <u>\$ 800,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 800,000</u> |

Pinecrest Academy, Inc. charges all its affiliated schools an assessment for shared corporate costs and accreditation expenses. Pinecrest Academy (South Campus) paid Pinecrest Academy, Inc. approximately \$75,000 in connection with these charges during the year.

Note 6 – Commitments, Contingencies and Concentrations

The School entered into a lease and security agreement with Kendall Greens, LLC for its 52,396 square feet main campus facility including all ancillary facilities, outdoor areas and other improvements. The landlord is an affiliate of the School’s education service and support provider (See note 4). Initial fixed annual payments under this agreement (based on \$13.78 per square foot) are approximately \$721,000 adjusted annually based on the Consumer Price Index (CPI) plus additional property expenses including repairs, maintenance and insurance.

The agreement continues through July 31, 2026 with an option to renew for an additional five-year term. Under the agreement, the School must meet certain covenants and requirements, including a “Lease Payment Coverage Ratio” of not less than 1.10 to 1.00. In addition, the School is required under the terms of the lease agreements to maintain a reserve for property expenses such as repairs, maintenance, taxes and insurance equal to 5% of their gross revenues for the fiscal year. As of June 30, 2016, the required reserve was \$307,349, and reflected as restricted on statement of Net Position. Finally, under this agreement the School has granted a first lien on its pledged revenues, which include all revenues collected by the school from the Florida Department of Education, the District, and all other sources.

The school is leasing office equipment for approximately \$14,100 per year through 2019. For 2016, rent expense totaled \$870,677. In addition, the School had prepaid approximately \$72,600 in rent expense at June 30, 2016.

Future minimum payments are as follows:

| Year | |
|-----------|--|
| 2017 | \$ 870,677 |
| 2018 | 870,677 |
| 2019 | 870,677 |
| 2020 | 870,677 |
| 2021 | 870,677 |
| 2022-2026 | 4,353,385 (Total for five year period) |
| | \$ 8,706,770 |

Note 6 – Commitments, Contingencies and Concentrations (continued)

Contingencies and Concentrations

The School receives substantially all of its funding from 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.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 2% of the qualifying revenues of the School. For the year ended June 30, 2016, administrative fees withheld by the School District totaled \$35,298.

Note 7 – Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance.

Note 8 – Defined Contribution Retirement Plan

The School's personnel, who are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School will provide a match of up to 4% of the employee's compensation. The School contributed to the Plan \$20,352 for the year ended June 30, 2016. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by MassMutual Financial Group.

REQUIRED SUPPLEMENTARY INFORMATION

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2016

| | General Fund | | |
|---|---------------------|---------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| State passed through local | \$ 5,247,231 | \$ 5,300,000 | \$ 5,308,008 |
| Charges for services | 370,000 | 370,000 | 372,224 |
| Interest and other revenues | 10,000 | 36,000 | 36,414 |
| Total Revenues | <u>5,627,231</u> | <u>5,706,000</u> | <u>5,716,646</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Instruction | 2,943,197 | 2,930,000 | 2,922,143 |
| Instructional Staff training Services | 2,000 | 5,000 | 4,833 |
| Board | 97,500 | 92,000 | 92,000 |
| School Administration | 750,000 | 720,000 | 712,834 |
| Fiscal Services | 112,500 | 112,500 | 112,500 |
| Central Services | 98,188 | 120,000 | 118,932 |
| Maintenance of Plant | 119,775 | 120,000 | 97,000 |
| Operation of Plant | 988,553 | 988,553 | 997,761 |
| Total Current Expenditures | <u>5,111,713</u> | <u>5,088,053</u> | <u>5,058,003</u> |
| Excess of Revenues | | | |
| Over Current Expenditures | <u>515,518</u> | <u>617,947</u> | <u>658,643</u> |
| Capital Outlay: | | | |
| Other Capital Outlay and intangible costs | <u>200,000</u> | <u>200,000</u> | <u>190,009</u> |
| Total Expenditures | <u>5,311,713</u> | <u>5,288,053</u> | <u>5,248,012</u> |
| Excess of Revenues Over Expenditures | 315,518 | 417,947 | 468,634 |
| Other Financing Sources | | | |
| Transfers in (out) | <u>(98,187)</u> | <u>(75,000)</u> | <u>(68,672)</u> |
| Net Change in fund balance | 217,331 | 342,947 | 399,962 |
| Fund Balance at beginning of year | <u>2,317,075</u> | <u>2,317,075</u> | <u>2,317,075</u> |
| Fund Balance at end of year | <u>\$ 2,534,406</u> | <u>\$ 2,660,022</u> | <u>\$ 2,717,037</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.

Pinecrest Academy (South Campus)
 (A charter school under Pinecrest Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the year ended June 30, 2016

| | Special Revenue Fund | | |
|---|----------------------|-----------------|-----------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| State capital outlay funding | \$ 141,700 | \$ 175,900 | \$ 175,837 |
| Federal lunch program | 200,000 | 190,000 | 190,728 |
| Student lunch fees | 50,000 | 60,000 | 63,772 |
| Total Revenues | <u>391,700</u> | <u>425,900</u> | <u>430,337</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Food Services | 348,187 | 325,000 | 323,172 |
| Operation of Plant | 141,700 | 175,900 | 175,837 |
| Total Current Expenditures | <u>489,887</u> | <u>500,900</u> | <u>499,009</u> |
| Excess (deficit) of Revenues Over Current Expenditures | <u>(98,187)</u> | <u>(75,000)</u> | <u>(68,672)</u> |
| Total Expenditures | <u>489,887</u> | <u>500,900</u> | <u>499,009</u> |
| Excess (deficit) of Revenues Over Expenditures | (98,187) | (75,000) | (68,672) |
| Other financing sources: | | | |
| Transfers in (out) | <u>98,187</u> | <u>75,000</u> | <u>68,672</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
Pinecrest Academy (South Campus)
Miami, 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 Pinecrest Academy (South Campus) (the "School") as of, and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 29, 2016.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate management letter dated August 29, 2016 pursuant to Chapter 10.850, Rules of the Auditor General.

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
August 29, 2016



GRAVIER, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT LETTER

Board of Directors of
Pinecrest Academy (South Campus)
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities and each major fund of Pinecrest Academy (South Campus) as of and for the year ended June 30, 2016 and have issued our report thereon dated August 29, 2016.

Auditor's Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosure in those reports, which are dated August 29, 2016, 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 partially address findings and recommendations made in the preceding annual financial audit report. Please refer to status of prior year findings in other matters section below.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Pinecrest Academy (South Campus).

Financial Condition

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

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www.hlbgravier.com

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 Pinecrest Academy (South Campus). It is management's responsibility to monitor Pinecrest Academy (South Campus)'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. We have applied such procedures as of the fiscal year end and no deteriorating financial condition has been noted.

Transparency

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

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had the following recommendation:

ML 2016-01 –Internal Account

Observation:

We noted instances whereby sales taxes were included in disbursements paid by the School.

Recommendation:

We recommended that the school principal and treasurer furnish a copy of Consumer's Certificate of Exemption directly to each vendor when making sales tax exempt purchases for the school.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address 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 did not have any such findings.

Status of Prior Year Findings and Recommendations

ML 2015-01 Internal Account

During the current year audit procedures over the internal account, we noted all deposits tested had recap sheets.

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, School Board of Miami-Dade 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
August 29, 2016

Pinecrest Academy South Campus

August 29, 2016

HLB Gravier, LLP
396 Alhambra Circle, 9th Floor
Coral Gables, FL 33134

RE: MANAGEMENT'S RESPONSE TO AUDITOR'S RECOMMENDATION

The following is the response by the School's Board of Directors to your recommendation:

ML 2016-01 – INTERNAL ACCOUNT

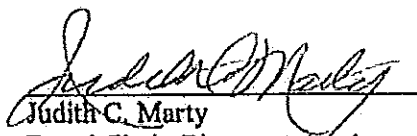
Recommendation

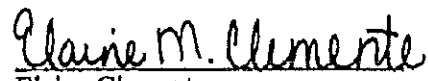
We recommend that the School Principal and Treasurer furnish a copy of Consumer's Certificate of Exemption directly to each vendor when making sales tax exempt purchases for the School.

Management Responses

Management will adhere to auditor's recommendation and submit a copy of the Consumer's Certificate of Exemption directly to each vendor when making sales tax exempt purchases for the School.

Sincerely,


Judith C. Marty
Board Chair, Pinecrest Academy, Inc.


Elaine Clemente
School Principal, Pinecrest Academy
South Campus