

Pinecrest Preparatory Academy Charter High School  
WL# 7053  
(A Charter School under Pinecrest Academy, Inc.)

Miami, Florida

Financial Statements and  
Independent Auditors' Report

June 30, 2015

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Pinecrest Preparatory Academy Charter High School  
WL # 7053

14901 SW 42 St.  
Miami, FL 33185

2014-2015

BOARD OF DIRECTORS

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

Betty Nunez, Principal

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Pinecrest Preparatory Academy Charter High School  
Miami, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Pinecrest Preparatory Academy Charter High School (the "School"), a charter school under Pinecrest Academy, Inc., as of, and for the year ended June 30, 2015, 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 Preparatory Academy Charter High School at June 30, 2015, 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 Preparatory Academy Charter High School at June 30, 2015, 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, 2015 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 31, 2015, 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 8 and 28 through 29 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 31, 2015

  
CERTIFIED PUBLIC ACCOUNTANTS

**Management's Discussion and Analysis**  
Pinecrest Preparatory Academy Charter High School  
(A Charter School Under Pinecrest Academy, Inc.)  
June 30, 2015

The corporate officers of Pinecrest Preparatory Academy Charter High School (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2015.

**Financial Highlights**

1. The net position of the School at June 30, 2015 was \$1,508,608.
2. At year-end, the School had current assets of \$1,031,195.
3. The School had an increase in its net position of \$353,395 during the year ended June 30, 2015.
4. The unassigned fund balance at year end was \$871,972.

**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, 2015 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 9 – 10 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 11 – 14 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 15 – 27 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Assets exceeded liabilities by \$1,508,608 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, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 968,355	\$ 339,484
Prepaid expenses	43,887	21,726
Due from other agencies	18,953	23,154
Due from Pinecrest Academy, Inc., long-term	250,000	478,976
Capital Assets, net	342,749	401,646
<b>Total Assets</b>	<u>1,623,944</u>	<u>1,264,986</u>
<b>Deferred outflows of resources</b>	-	10,118
Accounts Payable and Accrued Liabilities	115,336	119,891
<b>Total Liabilities</b>	<u>115,336</u>	<u>119,891</u>
<b>Deferred inflows of resources</b>	-	-
<b>Net Position:</b>		
Net investment in capital assets and long term receivables	592,749	651,646
Unrestricted	915,859	503,567
<b>Total Net Position</b>	<u>\$ 1,508,608</u>	<u>\$ 1,155,213</u>

At the end of the fiscal year, the School is able to report continued positive balances in the categories of net position with a net increase for the year.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2015 and 2014 follows:

**REVENUES**

Program Revenues		
Operating Grants and Contributions	\$ 2,144	\$ 11,081
Capital Outlay Funding	278,205	303,888
Lunch Program	132,406	126,878
General Revenues		
Local Sources(FTE non specific)	2,886,357	2,435,259
<b>Total Revenues</b>	<u>\$ 3,299,112</u>	<u>\$ 2,877,106</u>

**EXPENSES**

Component Unit Activities:		
Instruction	\$ 1,344,746	\$ 1,201,765
Instructional staff training	1,536	1,486
Board	61,419	13,377
School administration	595,002	538,214
Facilities acquisition	18,998	8,266
Fiscal services	71,550	62,250
Food services	125,644	107,934
Central services	78,165	66,455
Operation of plant	617,921	535,901
Maintenance of plant	30,736	29,578
<b>Total Expenses</b>	<u>2,945,717</u>	<u>2,565,226</u>
Increase in Net Position	353,395	311,880
Net Position at Beginning of Year	1,155,213	843,333
Net Position at End of Year	<u>\$ 1,508,608</u>	<u>\$ 1,155,213</u>

The School's revenue and expenditures increased by \$422,006 and 380,491, respectively, as a result of an increase in student enrollment, which significantly impacted FTE revenues. Student enrollment increased by approximately 64 Students. The School had an increase in its net position of \$ 353,395 for the year.

**Lease of Facility**

The School leases a facility located at 14901 SW 42<sup>nd</sup> Street, Miami FL, 33185.

**Capital Improvement Requirements**

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

**Accomplishments**

In 2015, Pinecrest Preparatory Academy High School successfully completed its seventh year of operation serving approximately 475 students in grades 9-12. This past year, the school celebrated its 3rd Commencement Ceremony with 94 college bound graduates. Many of the seniors graduated with college credits, having taken advantage of the school's aggressive Advanced Placement and Dual Enrollment Programs. While serving a predominantly Hispanic minority student population, Pinecrest achieved a graduation rate of 97%.



- 75% of our high school students participated in the Advanced Academics program - taking Dual Enrollment and Advanced Placement courses.
- 51% of our Class of 2015 graduates earned the Superintendent Diploma of Distinction.
- 44% of our Class of 2015 earned a Scholars Designation.
- Thespians earned Excellent and Superior ratings at the state competition.
- 4 Silver Knight nominees in the categories of General Scholarship, Digital and Interactive Media, Art, and Social Studies
- Class of 2015 had their first Senior graduate simultaneously earning their high school diploma and an Associate of Arts degree from Miami-Dade College.
- All Class of 2015 graduates were accepted into a post-secondary institution.
- Class of 2015 graduates received acceptance letters from prestigious institutions, some of which included Penn State, FIU, Michigan State, Auburn, Clemson, UCF, Miami-Dade College, USF, Washington State, North Carolina State, University of Miami, Barry University, and Colorado State.
- PPMH Cheerleaders and Dance Team were invited to participate in the 2014 South Miami Parade of Elves
- PPMH Literacy Committee hosted its 2nd Annual Literacy Fair, showcasing to the West Kendall community their passion for literacy.
- PPMH Cheerleaders sponsored a pop tab collection for the Ronald McDonald House of Miami and also served meals onsite during the school year.
- For the second year in a row, the high school students participated in EFT Tours field trip and traveled to Paris, France.
- The PPMH Music and Theatre departments held their first-ever Spring Musical
- PPMH student, Juan Carlos De La Lastra, won the Mayor's Shining Scholars' The Unstoppable Scholar Award.
- The PPMH Debate Team, in its first year of inception, ranked overall 3rd in the Swamp Invitational tournament at Everglades High School in Miramar, Florida, proudly outranking established teams.
- PPMH also had the first District Champion in school history and State Qualifier in wrestling.
- Second year participating in the SECME competition, earning 2nd place in the Egg Drop Competition.
- Started VEX robotics program.

## **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 \$915,859. The fund balance unassigned and available for spending at the School's discretion is \$871,972. 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, 2015 amounts to \$342,749 (net of accumulated depreciation). This investment in capital assets includes building and improvements and furniture, fixtures, computer equipment and textbooks. As of June 30, 2015, the School had no term debt related to its capital assets.

### 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
<b>REVENUES</b>			
Program Revenues			
State capital outlay funding	\$ 213,750	\$ 278,000	\$ 278,205
Federal sources	2,000	2,000	2,144
Lunch program	130,000	130,000	132,406
General Revenues			
FTE nonspecific revenues	2,801,589	2,880,000	2,886,357
Total Revenues	<u>\$ 3,147,339</u>	<u>\$ 3,290,000</u>	<u>\$ 3,299,112</u>
<b>CURRENT EXPENDITURES</b>			
Component Unit Activities			
Instruction	\$ 1,403,000	\$ 1,303,000	\$ 1,288,812
Instructional staff training	2,000	2,000	1,536
Board	65,000	65,000	61,419
School administration	625,000	600,000	594,963
Fiscal services	90,000	75,000	71,550
Food services	129,000	126,000	125,644
Central services	85,000	80,000	78,165
Operation of plant	568,750	618,000	617,921
Maintenance of plant	35,000	30,000	27,552
Total Current Expenditures	<u>\$ 3,002,750</u>	<u>\$ 2,899,000</u>	<u>\$ 2,867,562</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 Preparatory Academy Charter High School  
(A charter school under Pinecrest Academy, Inc.)

Statement of Net Position  
June 30, 2015

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Current assets:	
Cash and cash equivalents	\$ 968,355
Prepaid expenses	43,887
Due from other agencies	18,953
	<u>1,031,195</u>
Due from Pinecrest Academy, Inc.	250,000
Capital assets, depreciable	858,597
Less: accumulated depreciation	<u>(515,848)</u>
	<u>342,749</u>
Total Assets	<u>1,623,944</u>
<b><u>Deferred Outflows of Resources</u></b>	
Intangible costs	63,594
Less: accumulated amortization	<u>(63,594)</u>
	<u>-</u>
<b><u>Liabilities</u></b>	
Current liabilities:	
Salaries and wages payable	<u>115,336</u>
Total Liabilities	115,336
<b><u>Deferred Inflows of Resources</u></b>	
	<u>-</u>
<b><u>Net Position</u></b>	
Net investment in capital assets and long term receivables	592,749
Unrestricted	<u>915,859</u>
Total Net Position	<u>\$ 1,508,608</u>

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

Pinecrest Preparatory Academy Charter High School  
(A charter school under Pinecrest Academy, Inc.)

Statement of Activities  
For the year ended June 30, 2015

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 1,344,746	\$ -	\$ 2,144	\$ -	\$ (1,342,602)
Instructional staff training	1,536	-	-	-	(1,536)
Board	61,419	-	-	-	(61,419)
School administration	595,002	-	-	-	(595,002)
Facilities acquisition	18,998	-	-	-	(18,998)
Fiscal services	71,550	-	-	-	(71,550)
Food services	125,644	26,973	105,433	-	6,762
Central services	78,165	-	-	-	(78,165)
Operation of plant	617,921	-	-	278,205	(339,716)
Maintenance of plant	30,736	-	-	-	(30,736)
Community Services	-	-	-	-	-
<b>Total governmental activities</b>	<u>2,945,717</u>	<u>26,973</u>	<u>107,577</u>	<u>278,205</u>	<u>(2,532,962)</u>
General revenues:					
FTE nonspecific revenues					<u>2,886,357</u>
Change in net position					353,395
Net position , beginning					<u>1,155,213</u>
Net position, ending					<u>\$ 1,508,608</u>

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

Pinecrest Preparatory Academy Charter High School  
(A charter school under Pinecrest Academy, Inc.)

Balance Sheet - Governmental Funds  
June 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 968,355	\$ -	\$ 968,355
Due from other agencies	-	18,953	18,953
Due from fund	18,953	-	18,953
Prepaid expenses	43,887	-	43,887
Total Assets	<u>1,031,195</u>	<u>18,953</u>	<u>1,050,148</u>
<b><u>Deferred Outflows of Resources</u></b>			
	-	-	-
<b><u>Liabilities</u></b>			
Salaries and wages payable	115,336	-	115,336
Due to fund	-	18,953	18,953
Total Liabilities	<u>115,336</u>	<u>18,953</u>	<u>134,289</u>
<b><u>Deferred Inflows of Resources</u></b>			
	-	-	-
<b><u>Fund balance</u></b>			
Nonspendable, not in spendable form	43,887	-	43,887
Unassigned	871,972	-	871,972
	<u>915,859</u>	<u>-</u>	<u>915,859</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,031,195</u>	<u>\$ 18,953</u>	<u>\$ 1,050,148</u>

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

Pinecrest Preparatory Academy Charter High School  
(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, 2015

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Total Fund Balance - Governmental Funds \$ 915,859

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

Capital assets of \$858,597 net of accumulated depreciation of \$515,848 used in governmental activities are not financial resources and therefore are not reported in the fund. 342,749

Long term receivables from related party in governmental activities are not financial resources and therefore are not reported in the governmental funds. 250,000

Total Net Position - Governmental Activities \$ 1,508,608

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

Pinecrest Preparatory Academy Charter High School  
(A charter school under Pinecrest Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  
For the year ended June 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues:</b>			
State capital outlay funding	\$ -	\$ 278,205	\$ 278,205
State passed through local	2,886,357	-	2,886,357
Federal sources	-	2,144	2,144
Lunch program	-	132,406	132,406
<b>Total Revenues</b>	<b>2,886,357</b>	<b>412,755</b>	<b>3,299,112</b>
<b>Expenditures:</b>			
<b>Current</b>			
Instruction	1,286,668	2,144	1,288,812
Board	61,419	-	61,419
Instructional staff training	1,536	-	1,536
School administration	594,963	-	594,963
Facilities acquisition	-	-	-
Fiscal services	71,550	-	71,550
Food services	-	125,644	125,644
Central services	78,165	-	78,165
Operation of plant	339,716	278,205	617,921
Maintenance of plant	27,552	-	27,552
Community Services	-	-	-
<b>Capital Outlay:</b>			
Other capital outlay	9,140	-	9,140
<b>Total Expenditures</b>	<b>2,470,709</b>	<b>405,993</b>	<b>2,876,702</b>
Excess (deficit) of revenues over expenditures	415,648	6,762	422,410
Other financing sources (uses)			
Transfers in (out)	6,762	(6,762)	-
Net change in fund balance	422,410	-	422,410
Fund Balance at beginning of year	493,449	-	493,449
Fund Balance at end of year	<b>\$ 915,859</b>	<b>\$ -</b>	<b>\$ 915,859</b>

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

Pinecrest Preparatory Academy Charter High School  
(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, 2015

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Net Change in Fund Balance - Governmental Funds \$ 422,410

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 of \$9,140 differed from depreciation expense of \$68,037.

(58,897)

Governmental funds report outlays for long-term assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as amortization expense. This is the amount by which intangible costs incurred in the year of \$0, exceeded amortization expense of \$10,118.

(10,118)

Change in Net Position of Governmental Activities

\$ 353,395

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



## **Note 1 – Summary of Significant Accounting Policies**

### Reporting Entity

Pinecrest Preparatory Academy Charter High School (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, 2018 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. These financial statements are for the year ended June 30, 2015, when approximately 475 students were enrolled for the school year.

### 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 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.

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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

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.

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. These statements also do not include fiduciary funds.

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 funds. 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.

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*.

**Note 1 – Summary of Significant Accounting Policies (continued)**

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.

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.

Deposits and Investments

All deposits are held in major banks and high grade investments. The School has not adopted a formal investment policy; however the School invests excess deposit funds in collateralized repurchase agreements. Cash and cash equivalents include all highly liquid investments with a maturity of three months or less. All deposits and investments in repurchase agreements are carried at cost plus accrued interest.

**Note 1 – Summary of Significant Accounting Policies (continued)**

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.

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.

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 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. 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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

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 long term receivables 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 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 "invested in capital assets, net of related debt 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. There are no restricted fund balances at year end.
- 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.

Long -Term Debt

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. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

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 31, 2015, 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.

## **Note 2 – Deposits and Investments**

### Deposits

The School maintains its cash and cash equivalents in major banks and in high grade investments. As of June 30, 2015, the carrying amount of the School's deposits and investments was \$968,355. The bank balances totaled \$18,129 and \$1,030,000 was fully collateralized under a repurchase agreement with Regions Bank (the "Bank").

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. 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, 2015, bank balances in potential excess of FDIC coverage totaled \$18,129.

### Investments and Credit Risk

Custodial credit risk for deposits is the risk that in the event of a failure of a depository financial institution, 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, 2015, all of the School's investments in repurchase agreements were held as part of the Bank's investment portfolio.

The School has not formally approved an investment policy regarding custodial credit risk; however it mitigates its credit risk by maintaining excess funds available in overnight repurchase agreements. Amounts invested in repurchase agreements are secured obligations collateralized by securities that include: non-callable U.S. Government and Agency Securities; Callable and Structured Agency Securities; Agency Mortgage-Backed Securities guaranteed by a federal agency, Bonds issued by government sponsored enterprises, Freddie Mac and Fannie Mae. Amounts invested in repurchase agreements are not insured by the FDIC and are subject to investment risks, including possible loss of principal invested, and if the Bank fails the School will become a secured creditor and may become an unsecured general creditor to the extent the market value of the securities used as collateral falls below the outstanding amount of repurchase obligations to the School.



Pinecrest Preparatory Academy Charter High School  
(A charter school under Pinecrest Academy, Inc.)  
Notes to Financial Statements  
June 30, 2015

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**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, 2015:

	Balance 07/01/14	Additions	Retirements	Balance 06/30/15
Capital Assets:				
Buildings and Improvements	\$ 415,800	\$ -	\$ -	\$ 415,800
Computer equipment and software	178,711	5,046	-	183,757
Furniture, equipment and textbooks	254,946	4,094	-	259,040
Total Capital Assets	<u>\$ 849,457</u>	<u>\$ 9,140</u>	<u>\$ -</u>	<u>\$ 858,597</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(102,965)	(16,704)	-	(119,669)
Computer equipment and software	(150,544)	(15,942)	-	(166,486)
Furniture, equipment and textbooks	(194,302)	(35,391)	-	(229,693)
	<u>(447,811)</u>	<u>(68,037)</u>	<u>-</u>	<u>(515,848)</u>
Capital Assets, net	<u>\$ 401,646</u>	<u>\$ (58,897)</u>	<u>\$ -</u>	<u>\$ 342,749</u>

For the fiscal year ended June 30, 2015, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$	45,816
School administration		39
Facilities acquisition		18,998
Maintenance of plant		3,184
Total Depreciation Expense	<u>\$</u>	<u>68,037</u>

**Note 4 – Intangible Asset**

The school capitalized a total of \$63,594 of legal fees in connection with services provided to prepare its facility for use. This amount is being amortized using the straight-line method for the term of five years. For the year ended June 30, 2015, the School recorded \$10,118 in amortization expense relating to the asset.

**Note 5 – Education Service and Support Provider**

Academica Dade, LLC, an education service and support provider, offers management and 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 per student basis. The agreement is with Pinecrest Academy, Inc. for a period of five years, through June 30, 2016, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2015, the School incurred approximately \$235,744 in fees.

Academica Dade, LLC is located at 6340 Sunset Drive, Miami, Florida 33143 and its officers are:

Fernando Zulueta, President  
 Magdalena Fresen, Vice President and Treasurer  
 Ignacio Zulueta, Vice President  
 Collette Papa, Secretary

**Note 6 – Transactions With Other Divisions of Pinecrest Academy, Inc.**

The School’s facility is shared with Pinecrest Preparatory Academy Middle School (a charter schools under Pinecrest Academy, Inc.) (“Pinecrest Middle”). Management allocates a proportionate share of facilities costs, salaries, lunch receipts, food and supplies, and other expenses to each school individually based on student enrollment. In addition, the School’s student activities account is recorded in the books of Pinecrest Middle. The School’s lunch program is also shared with Pinecrest Middle. Revenues and expenses related to such program have been allocated based on FTE equivalent for purposes of presentation in the financial statements.

Pinecrest Academy, Inc. charges all its affiliated schools an assessment for shared corporate costs and accreditation expenses. Pinecrest Preparatory Academy Charter High School paid Pinecrest Academy, Inc. approximately \$47,700 in connection with these charges during the year.

The School made long term non-interest bearing advances to Pinecrest Academy, Inc. The outstanding balance at June 30, 2015 was:

	Balance 07/01/14	Additions	Deletions	Balance 06/30/15
Pinecrest Academy, Inc.	250,000	-	-	250,000
Total Long Term Receivables	<u>\$ 478,976</u>	<u>\$ -</u>	<u>\$ 228,976</u>	<u>\$ 250,000</u>

**Note 7 – Commitments, Contingencies and Concentrations**

On November 1, 2013, Pinecrest Academy, Inc. (PAI) acquired the Facility located at 14901 SW 42<sup>nd</sup> Street (“Facility”) which houses Pinecrest Preparatory Academy Charter Middle School and Pinecrest Preparatory Academy Charter High School under a lease purchase option, for the purposes of continuing the operations of the High School and the Middle School.

Based on a usage fee agreement entered into between the Middle and High Schools and PAI, commencing on August 1, 2014 the Schools will pay to PAI the sum of \$1,066,867 per year, payable on a monthly basis and be responsible for the payment of all costs of improvement to the property from time to time, all costs of insurance and other property costs as determined necessary by the board of directors. During the year ended June 30, 2015, payments were allocated as follows; approximately \$533,000 was paid by the Middle School and \$475,000 was paid by the High School.

In addition, PAI acquired another charter school facility located at 4301 SW 107<sup>th</sup> Avenue, Miami, Florida (“Cove Facility”), which it had formerly leased for the operation of another of its charter schools, Pinecrest Cove Academy (“Cove Academy”), pursuant to a lease purchase option, and simultaneously obtained long-term tax-exempt financing for both charter school facilities. Thereafter, the board of directors of PAI adopted Usage Fee resolutions whereby the schools housed in the Facility and in the Cove Facility are responsible for all of the costs of acquisition and financing for the facilities, respectively, and all other costs and expenses of the operation, maintenance and preservation of the facilities, respectively, together with an administrative fee to the Company. Based upon the respective purchase prices for the Facility and for the Cove Facility, the debt service on the bonds and other expenses and administrative fees were allocated 59% to the Facility and 41% to the Cove Facility. Further, pursuant to the Usage Fee resolution for the Facility, the School and the Middle School will share the usage fee for the Facility pro rata based upon enrollment as a measure of usage.

Pinecrest Preparatory Academy Charter High School  
 (A charter school under Pinecrest Academy, Inc.)  
 Notes to Financial Statements  
 June 30, 2015

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**Note 7 – Commitments and Contingencies (continued)**

The debt service on the tax-exempt bond financing for PAI (a portion of which will be covered by Usage Fee payments by Cove Academy) are as follows:

Year	Principal	Interest	Total	
2015	-	788,125	788,125	
2016	355,000	1,253,900	1,608,900	
2017	370,000	1,239,400	1,609,400	
2018	385,000	1,224,300	1,609,300	
2019	400,000	1,208,600	1,608,600	
2020-2024	2,295,000	5,746,050	8,041,050	(total for five year period)
2025-2029	2,955,000	5,095,125	8,050,125	(total for five year period)
2030-2034	3,790,000	4,256,250	8,046,250	(total for five year period)
2035-2039	4,890,000	3,158,613	8,048,613	(total for five year period)
2040-2044	6,350,000	1,692,338	8,042,338	(total for five year period)
2045	3,140,000	82,425	3,222,425	

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 5% of the qualifying revenues of the School. For the year ended June 30, 2015 administrative fees withheld by the School District totaled \$75,467.

**Note 8 – 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 9 – Defined Contribution Retirement Plan**

The School's personnel, which 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 provides a match of 50% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$7,643 for the year ended June 30, 2015. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by MassMutual Financial Group.

**Note 10 – Subsequent Event**

Effective July 1, 2015, the School moved to utilizing a government money market mutual fund as an investment vehicle for its excess deposit funds. A government money market mutual fund invests exclusively in obligations issued or guaranteed by the U.S. Government and its agencies and instrumentalities and in repurchase agreements collateralized by such securities. All balances held under the repurchase agreement as of June 30, 2015 have been moved to this new vehicle.

REQUIRED SUPPLEMENTARY INFORMATION

Pinecrest Preparatory Academy Charter High School  
(A charter school under Pinecrest Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2015

	General Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State passed through local	\$ 2,801,589	\$ 2,880,000	\$ 2,886,357
Total Revenues	<u>2,801,589</u>	<u>2,880,000</u>	<u>2,886,357</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	1,400,000	1,300,000	1,286,668
Instructional Staff Training	2,000	2,000	1,536
Board	65,000	65,000	61,419
School Administration	625,000	600,000	594,963
Fiscal Services	90,000	75,000	71,550
Central Services	85,000	80,000	78,165
Operation of Plant	355,000	340,000	339,716
Maintenance of Plant	35,000	30,000	27,552
Total Current Expenditures	<u>2,657,000</u>	<u>2,492,000</u>	<u>2,461,569</u>
Excess of Revenues Over Current Expenditures	<u>144,589</u>	<u>388,000</u>	<u>424,788</u>
Capital Outlay	10,000	-	9,140
Total Expenditures	<u>2,667,000</u>	<u>2,492,000</u>	<u>2,470,709</u>
Excess of Revenues Over Expenditures	134,589	388,000	415,648
Other financing sources (uses):			
Transfers in (out)	-	3,000	6,762
Net change in fund balance	134,589	391,000	422,410
Fund Balance at beginning of year	<u>493,449</u>	<u>493,449</u>	<u>493,449</u>
Fund Balance at end of year	<u>\$ 628,038</u>	<u>\$ 884,449</u>	<u>\$ 915,859</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 Preparatory Academy Charter High School  
(A charter school under Pinecrest Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2015

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State capital outlay funding	\$ 213,750	\$ 278,000	\$ 278,205
Federal sources	2,000	2,000	2,144
Lunch program	130,000	130,000	132,406
Total Revenues	<u>345,750</u>	<u>410,000</u>	<u>412,755</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	3,000	3,000	2,144
Food services	129,000	126,000	125,644
Operation of Plant	213,750	278,000	278,205
Total Current Expenditures	<u>345,750</u>	<u>407,000</u>	<u>405,993</u>
Excess of Revenues Over Current Expenditures	<u>-</u>	<u>3,000</u>	<u>6,762</u>
Capital Outlay	-	-	-
Total Expenditures	<u>345,750</u>	<u>407,000</u>	<u>405,993</u>
Excess of Revenues Over Expenditures	-	3,000	6,762
Other financing sources (uses)			
Transfers in (out)	<u>-</u>	<u>(3,000)</u>	<u>(6,762)</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*

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Board of Directors of  
Pinecrest Preparatory Academy Charter High School  
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 Preparatory Academy Charter High School (the "School") as of, and for the year ended June 30, 2015, 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 31, 2015.

### **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 31, 2015 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 31, 2015

MANAGEMENT LETTER

Board of Directors of  
Pinecrest Preparatory Academy Charter High School  
Miami, Florida

**Report on the Financial Statements**

We have audited the financial statements of the governmental activities and each major fund of Pinecrest Preparatory Academy Charter High School as of and for the year ended June 30, 2015 and have issued our report thereon dated August 31, 2015.

**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 31, 2015, 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. There were no findings and recommendations made in the preceding audit report.

**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 Preparatory Academy Charter High School.

**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 Preparatory Academy Charter High School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Pinecrest Preparatory Academy Charter High School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Pinecrest Preparatory Academy Charter High School. It is management's responsibility to monitor Pinecrest Preparatory Academy Charter High School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by 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 Preparatory Academy Charter High School 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 Preparatory Academy Charter High School 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 did not have any such findings.

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.

### **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 31, 2015