

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2022

P&M PELLEGRINO &
McFARLAND P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sarasota Academy of the Arts, Inc.

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sarasota Academy of the Arts, Inc. (the Charter School) (a component unit of the School Board of Sarasota County, Florida) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Sarasota Academy of the Arts, Inc.'s basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2022, on our consideration of Sarasota Academy of the Arts, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sarasota Academy of the Arts, Inc.'s internal control over financial reporting and compliance.

Pellegrino & McFarland, P.A.

Sarasota, Florida
September 16, 2022

SARASOTA ACADEMY OF THE ARTS, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2022

The following pages represent Management's Discussion and Analysis (MD&A) of Sarasota Academy of the Arts, Inc. (the Charter School). It depicts and reviews the financial picture and activities of the Charter School as of and for the year ended June 30, 2022.

The intent of this MD&A is to present a picture and assessment of the Charter School's financial performance in an effort to more clearly demonstrate to readers the results of this year's financial operations. Readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

Using the Financial Statements

This financial report includes a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the Charter School as a financial whole, or as an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the Charter School as a whole, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. The Governmental Fund statements show how services were financed in the short-term as well as what financial resources remain for future spending.

Financial Highlights

Statement of Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Current assets	\$ 249,598	\$ 743,107	\$ (493,509)
Noncurrent assets	<u>1,591,513</u>	<u>404,010</u>	<u>1,187,503</u>
Total Assets	\$ <u>1,841,111</u>	\$ <u>1,147,117</u>	\$ <u>693,994</u>
Current liabilities	\$ 66,575	\$ 118,426	\$ (51,851)
Noncurrent liabilities	<u>600,375</u>	<u>1,650</u>	<u>598,725</u>
Total Liabilities	\$ <u>666,950</u>	\$ <u>120,076</u>	\$ <u>546,874</u>
Net investment in capital assets	\$ 791,513	\$ 204,010	\$ 587,503
Restricted	200,000	200,000	-
Unrestricted	<u>182,648</u>	<u>623,031</u>	<u>(440,383)</u>
Total Net Position	\$ <u>1,174,161</u>	\$ <u>1,027,041</u>	\$ <u>147,120</u>

Total assets increased by 60% due to the renovation to the building.

Total liabilities increased by 455% due primarily to loan for the renovation to the building.

SARASOTA ACADEMY OF THE ARTS, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2022

Statement of Activities

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues			
Program revenues			
Charges for services	\$ 28,732	\$ 15,486	\$ 13,246
Operating grants and contributions	3,627	5,519	(1,892)
General revenues			
Florida education finance program	1,719,789	1,910,939	(191,150)
Other state revenue	99,131	103,607	(4,476)
Other local revenue	145,595	3,007	142,588
Restricted investment earnings	131	214	(83)
Total revenues	<u>1,997,005</u>	<u>2,038,772</u>	<u>(41,767)</u>
Expenditures			
Instruction	912,585	1,018,913	(106,328)
Exceptional instruction	132,029	115,230	16,799
Instruction and curriculum development services	133	-	133
Instructional staff training services	2,065	535	1,530
Instruction-related technology	3,810	-	3,810
Board	39,224	14,054	25,170
General administration	32,787	36,353	(3,566)
School administration	272,599	241,874	30,725
Facility services – non-capitalized	14,950	13,254	1,696
Fiscal services	27,497	29,267	(1,770)
Food services	170	200	(30)
Central services	126	248	(122)
Student transportation services	35,610	48,537	(12,927)
Operation of plant	248,072	199,078	48,994
Maintenance of plant	30,861	26,303	4,558
Administrative technology	56,988	51,526	5,462
Community services	34,096	11,410	22,686
Debt service	6,283	3,272	3,011
Total expenditures	<u>1,849,885</u>	<u>1,810,054</u>	<u>39,831</u>
Change in net position	147,120	228,718	(81,598)
Net position - beginning	<u>1,027,041</u>	<u>798,323</u>	<u>228,718</u>
Net position - ending	<u>\$ 1,174,161</u>	<u>\$ 1,027,041</u>	<u>\$ 147,120</u>

Total revenues decreased by 2%. The student count decreased in FY22. The lower FEFP was mostly offset by the ESSER funding and increased fundraising efforts.

Total expenditures increased 2% due to the rent increase and an increase in administrative salaries to be competitive with the school district.

SARASOTA ACADEMY OF THE ARTS, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2022

Capital Assets and Long-term Debt Administration

Below is a schedule of the Charter School's capital assets as of June 30, 2022 and 2021. See Note 4 to the financial statements for a detail of the activity during the fiscal year and other related information.

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Capital assets, not being depreciated			
Construction-in-progress	\$ 1,213,327	\$ -	\$ 1,213,327
Capital assets, being depreciated			
Building and improvements	247,318	247,318	-
Furniture, fixtures and equipment	86,973	86,811	162
Motor vehicles	<u>25,787</u>	<u>31,287</u>	<u>(5,500)</u>
Total capital assets being depreciated	360,078	365,416	(5,338)
Less accumulated depreciation	<u>181,892</u>	<u>161,406</u>	<u>20,486</u>
Total capital assets being depreciated, net	<u>178,186</u>	<u>204,010</u>	<u>(25,824)</u>
Capital assets, net	\$ <u>1,391,513</u>	\$ <u>204,010</u>	\$ <u>1,187,503</u>

Capital asset changes during the year were due to the annual depreciation of current capital assets and construction in progress.

Long-term Debt

Below is a schedule of outstanding debt as of June 30, 2022 and 2021. See Note 5 to the financial statements for a detail of changes during the fiscal year and specific debt provisions.

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Notes payable	\$ <u>600,000</u>	\$ <u>-</u>	\$ <u>600,000</u>

Changes in debt during the year were from the addition of a loan for the renovation to the building.

Economic Factors and the Budget

The viability and future goals of the Sarasota Academy of the Arts, Inc. are based on the continuation of conservative and creative financial management. The school's future success rests with the choice to continue prudent and conservative financial management as well as meeting and surpassing the academic and creative needs of its students.

SARASOTA ACADEMY OF THE ARTS, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2022

Request for Information

This financial report is designed to provide a general overview of the Sarasota Academy of the Arts, Inc.'s finances for those with an interest in the Charter School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the below:

For further information, contact;

Dr. Jodi Kopacz, Principal
4466 Fruitville Road
Sarasota, Florida 34232
Telephone: 941-377-2278

SARASOTA ACADEMY OF THE ARTS, INC.

Statement of Net Position

June 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 241,539
Prepaid items	8,059
Total Current Assets	<u>249,598</u>
Noncurrent Assets	
Restricted cash and cash equivalents	200,000
Depreciable capital assets, net	<u>1,391,513</u>
Total Noncurrent Assets	<u>1,591,513</u>
Total Assets	<u><u>\$ 1,841,111</u></u>
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	\$ 10,460
Accrued payroll	<u>56,115</u>
Total Current Liabilities	<u>66,575</u>
Noncurrent Liabilities	
Compensated absences	375
Notes payable	<u>600,000</u>
Total Noncurrent Liabilities	<u>600,375</u>
Total Liabilities	666,950
Net position	
Net investment in capital assets	791,513
Restricted	200,000
Unrestricted	<u>182,648</u>
Total Net Position	<u>1,174,161</u>
Total Liabilities and Net Position	<u><u>\$ 1,841,111</u></u>

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

SARASOTA ACADEMY OF THE ARTS, INC.

Statement of Activities
For the Year Ended June 30, 2022

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities					
Instruction	\$ 912,585	\$ -	\$ -	\$ 45,155	\$ (867,430)
Exceptional instruction	132,029	-	3,627	-	(128,402)
Instruction and curriculum development services	133	-	-	-	(133)
Instructional staff training services	2,065	-	-	-	(2,065)
Instruction-related technology	3,810	-	-	-	(3,810)
Board	39,224	-	-	-	(39,224)
General administration	32,787	-	-	-	(32,787)
School administration	272,599	-	-	-	(272,599)
Facility services - non-capitalized	14,950	-	-	-	(14,950)
Fiscal services	27,497	-	-	-	(27,497)
Food services	170	-	-	-	(170)
Central services	126	-	-	-	(126)
Pupil transportation	35,610	-	-	-	(35,610)
Operation of plant	248,072	-	-	-	(248,072)
Maintenance of plant	30,861	-	-	-	(30,861)
Administrative technology	56,988	-	-	-	(56,988)
Community services	34,096	28,732	-	-	(5,364)
Debt service	6,283	-	-	-	(6,283)
	<u>\$ 1,849,885</u>	<u>\$ 28,732</u>	<u>\$ 3,627</u>	<u>\$ 45,155</u>	<u>\$ (1,772,371)</u>
Total governmental activities					

General revenues:

Florida education finance program	1,674,634
Other state revenue	99,131
Other local revenue	145,595
Restricted investment earnings, net of fees	<u>131</u>
Total general revenues	<u>1,919,491</u>
Change in net position	147,120
Net position - beginning	<u>1,027,041</u>
Net position - ending	<u>\$ 1,174,161</u>

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

SARASOTA ACADEMY OF THE ARTS, INC.

Balance Sheet - Governmental Funds

June 30, 2022

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 241,539	\$ -	\$ 241,539
Prepaid items	8,059	-	8,059
Total Current Assets	249,598	-	249,598
Noncurrent Assets			
Restricted cash and cash equivalents	200,000	-	200,000
Total Assets	<u>\$ 449,598</u>	<u>-</u>	<u>\$ 449,598</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable	\$ 10,460	\$ -	\$ 10,460
Accrued payroll	56,115	-	56,115
Total Liabilities	66,575	-	66,575
Fund Balance			
Nonspendable	8,059	-	8,059
Restricted	200,000	-	200,000
Unassigned	174,964	-	174,964
Total Fund Balance	383,023	-	383,023
Total Liabilities and Fund Balance	<u>\$ 449,598</u>	<u>\$ -</u>	<u>\$ 449,598</u>

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

SARASOTA ACADEMY OF THE ARTS, INC.
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2022

		<u>Primary Government</u>
Total Fund Balance - Governmental Funds		<u>\$ 383,023</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Capital assets	\$ 1,573,405	
Less accumulated depreciation	<u>(181,892)</u>	1,391,513
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences		<u>(375)</u>
Net Position of Governmental Activities		<u><u>\$ 1,174,161</u></u>

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

SARASOTA ACADEMY OF THE ARTS, INC.
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

	General Fund	Capital Projects Fund	Total Primary Government
Revenues			
Federal through state	\$ 7,174	\$ -	\$ 7,174
State	1,450,833	95,584	1,546,417
Local	443,283	-	443,283
Investment income	131	-	131
	1,901,421	95,584	1,997,005
Total revenues			
Expenditures			
Education			
Basic instruction	907,860	-	907,860
Exceptional instruction	132,029	-	132,029
development services	133	-	133
Instructional staff training services	2,065	-	2,065
Instruction-related technology	3,810	-	3,810
Board	39,224	-	39,224
General administration	32,412	-	32,412
School administration	271,836	-	271,836
Fiscal services	27,019	-	27,019
Food services	170	-	170
Central services	126	-	126
Pupil transportation	30,452	-	30,452
Operation of plant	248,072	-	248,072
Maintenance of plant	30,861	-	30,861
Administrative technology	57,476	-	57,476
Community services	34,096	-	34,096
Capital outlay	1,214,739	-	1,214,739
Debt service			
Interest	6,283	-	6,283
	3,038,663	-	3,038,662
Total expenditures			
Excess (deficit) of revenues over expenditures	(1,137,242)	95,584	(1,041,657)
Other financing sources (uses)			
Proceeds from long-term debt	600,000	-	600,000
Transfer between funds	95,584	(95,584)	-
	695,584	(95,584)	600,000
Net change in fund balance	(441,658)	-	(441,658)
Fund balance at beginning of year	824,681	-	824,681
Fund balance at end of year	\$ 383,023	\$ -	\$ 383,023

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

SARASOTA ACADEMY OF THE ARTS, INC.
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balance of the Governmental Funds to Statement of Activities
 For the Year Ended June 30, 2022

Net Change in Fund Balance - Governmental Funds \$ (441,658)

Amounts reported in the statement of activities are different because:

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

Capital outlay expenditures	\$ 1,214,739	
Less current year depreciation	<u>(27,236)</u>	1,187,503

Debt proceeds provide current financial resources to the General Fund, but issuing debt increases long-term liabilities in the statement of net position.

Construction note payable	(600,000)
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In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for leave used. The net amount of vacation and sick leave earned in excess of the amount used in the current period is as follows:

Current year accrual of compensated absences	<u>1,275</u>
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Change in Net Position - Governmental Activities	<u><u>\$ 147,120</u></u>
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The accompanying notes are an integral part of these financial statements.

SARASOTA ACADEMY OF THE ARTS, INC.
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2022

	<u>Agency Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	<u>\$ 13,764</u>
Total Assets	<u><u>\$ 13,764</u></u>
LIABILITIES	
Current Liabilities	
Due to PTO	<u>\$ 13,764</u>
Total Liabilities	<u><u>\$ 13,764</u></u>

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

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2022

NOTE 1 – ORGANIZATION

Reporting Entity: Sarasota Academy of the Arts, Inc. (the Charter School) is a not-for-profit corporation formed on July 19, 2012, pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes. The governing body of the Charter School is a Board of Directors of no less than five members. The Charter School is dedicated to teaching principles of academic excellence and social responsibility to grades K-8 through involvement of students, faculty, parents, mentors, and the community. The Charter School's curriculum emphasizes the arts encouraging students to learn, think and explore by traditional and nontraditional means.

The general operating authority of the Charter School is contained in Chapter 1002.33, Florida Statutes. The Charter School operates under a charter of the sponsoring school board, the School Board of Sarasota County, Florida (the School Board). The current charter is effective until June 30, 2033, and may be renewed by mutual agreement between the Charter School and the School Board. The Charter School is considered a component unit of the School Board.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The basic financial statements of the Charter School have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of government accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as GAAP for state and local governments.

Government-Wide and Fund Financial Statements: The Charter School's basic financial statements include both government-wide (reporting on the Charter School as a whole) and fund financial statements (reporting on the General Fund and Capital Projects Fund). Both the government-wide and fund financial statements present only governmental activities. The Charter School has no business type activities.

In the government-wide Statement of Net Position, the Charter School reports on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Charter School's net position are reported in three parts (as applicable): net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function (or segment) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted grants and contributions and other items not properly included among program revenues are reported as general revenues.

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures.

The individual generic fund types in the Charter School's financial statements are governmental funds. The focus of the governmental funds' measurement (in the fund statements) is on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than net income.

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

Capital Projects Fund – this fund is used to account for state capital outlay funding that is legally restricted to expenditures for particular purposes.

Agency Fund – accounts for resources of the Charter School's Internal Fund, which is used to administer monies collected by the Parent Teacher Organization, in connection with school, student athletics, class, and club activities.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current period. When grant terms provide that the expenditure of resources is the determining factor for eligibility for Federal, State and other grant resources, revenue is recognized at the time the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues for current operations received from the School Board of Sarasota County, Florida, pursuant to the funding provisions included in the Charter School's charter are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Charter School.

Budgetary Basis of Accounting: The annual budget was adopted on the modified accrual basis of accounting. The level of budgetary control is at the entity level. All annual appropriations lapse at fiscal year-end. For fiscal year ended June 30, 2022, expenses exceeded appropriations by \$1,073,403. Revisions to the annual budget are approved by the Board.

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash Deposits: The Charter School’s cash consists of demand deposits with financial institutions insured by the Federal Depository Insurance Company. The Charter School has no cash equivalents.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Receivables: All amounts due from the School Board and other receivables are deemed collectible. Therefore, no allowance has been recorded as of June 30, 2022.

Capital Assets: Capital assets are reported in the governmental activities column in the government-wide financial statements and are not reported in the fund financial statements. Capital assets are defined by the Charter School as assets with an initial cost of more than \$750 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed or estimated historical cost when actual historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. All capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 10 to 39 years for buildings and improvements, and 3 to 10 years for furniture, fixtures and equipment, and 3 to 5 years for software.

Long-term Debt: In the governmental-wide fund 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 the debt issued as other financing sources.

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Equity: Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance: Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are classified as follows:

- **Nonspendable:** This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted:** This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.
- **Committed:** This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Charter School’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Charter School removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.
- **Assigned:** This component consists of amounts that are constrained by the Charter School’s intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Directors.
- **Unassigned:** This classification represents amounts that have not been restricted, committed or assigned to a specific purpose within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance.

Net Position: Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations. All net positions not reported as net investment in capital assets and restricted net position, are reported as unrestricted net position.

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Flow Assumptions: When both restricted and unrestricted amounts of fund balance/net position are available for use for expenditures/expenses incurred, it is the Charter School's policy to use restricted amounts first, then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Revenue Sources: Revenues for current operations are received primarily from the School Board of Sarasota County pursuant to the funding provisions included in the Charter School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the Charter School reports the number of full-time equivalent (FTE) students and related data to the School Board. Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the Charter School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the Charter School during the designated full-time equivalent student survey periods.

The Charter 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.

Additional revenues are derived from various fund-raising activities, contributions and interest earned.

Income Taxes: The Charter School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The Charter School's status as a tax exempt not-for-profit entity is considered a tax position subject to reporting requirements under FASB Accounting Standards Codification 740-10. Entities are required to examine all tax positions and determine if it is more likely than not that the positions would be sustained upon examination by taxing authorities. The Charter School has not recorded any accruals for uncertain income tax positions at June 30, 2022.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2022

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash: Custodial credit risk is the risk that in the event of bank failure, the Charter School’s deposits may not be returned. The Charter School can mitigate this risk by depositing funds in financial institutions insured by Federal depository insurance. The deposits are insured by the FDIC up to \$250,000 per bank institution. At June 30, 2022, the carrying amount of the Charter School’s deposits was \$441,539 and bank balances were \$455,502. The Charter School had uninsured balances of \$43,969 as of June 30, 2022.

Restricted Cash: At June 30, 2022, the Charter School reported restricted cash in the amount of \$200,000.

The School Board requires the Charter School to carry a reserve of \$200,000.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 1, <u>2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2022</u>
Capital assets, not being depreciated				
Construction-in-progress	\$ -	\$ 1,213,327	\$ -	\$ 1,213,327
Capital assets, being depreciated				
Buildings and improvements	247,318	-	-	247,318
Furniture, fixtures and equipment	86,811	1,412	1,250	86,973
Motor vehicles	<u>31,287</u>	<u>-</u>	<u>5,500</u>	<u>25,787</u>
Total capital assets being depreciated	<u>365,416</u>	<u>1,412</u>	<u>6,750</u>	<u>360,078</u>
Less accumulated depreciation				
Buildings and improvements	70,278	13,644	-	83,922
Furniture, fixtures and equipment	68,865	8,435	1,250	76,050
Motor vehicles	<u>22,263</u>	<u>5,157</u>	<u>5,500</u>	<u>21,920</u>
Total accumulated depreciation	<u>161,406</u>	<u>27,236</u>	<u>6,750</u>	<u>181,892</u>
Total capital assets being depreciated, net	<u>204,010</u>	<u>(25,824)</u>	<u>-</u>	<u>178,186</u>
Capital assets, net	\$ <u>204,010</u>	\$ <u>1,187,503</u>	\$ <u>-</u>	\$ <u>1,391,513</u>

The Charter School is currently renovating the building on the new leased property (Note 7). The total related expenditures in construction-in-progress as of June 30, 2022 were \$1,213,327, which is the expected total cost to complete the renovations. The renovations are expected to be completed by December 2022.

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2022

NOTE 4 – CAPITAL ASSETS – CONTINUED

Depreciation expense in the amount of \$27,236 for the year ended June 30, 2022, was allocated to the following functions:

Instruction	\$	5,888
School administration		763
Facilities acquisition and construction		14,950
Fiscal services		478
Student transportation services		<u>5,157</u>
Total	\$	<u>27,236</u>

NOTE 5 – NONCURRENT LIABILITIES

Activity for noncurrent liabilities for the year ended June 30, 2022 was as follows:

	Balance July 1, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Due Within <u>One Year</u>	Balance June 30, <u>2022</u>
Governmental activities					
Compensated absences	\$ 1,650	\$ -	\$ 1,275	\$ -	\$ 375
Notes payable	<u>-</u>	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>600,000</u>
Totals	\$ <u>1,650</u>	\$ <u>600,000</u>	\$ <u>1,275</u>	\$ <u>-</u>	\$ <u>600,375</u>

Long-Term Debt

The Charter School is obligated on long-term debt in the form of a \$600,000 promissory note due to Synovus Bank for the building renovations. Monthly interest payments are due on the outstanding principal balance beginning July 1, 2022 at the rate of 5.125%. Beginning July 1, 2023, monthly payments of principal and interest of \$13,873.15 will be due. The final payment of the unpaid balance of principal and interest will be due on June 1, 2027.

Future principal payments are as follows:

Fiscal Year Ending	
<u>June 30,</u>	
2024	\$ 138,962
2025	146,253
2026	153,927
2027	<u>160,858</u>
Total	\$ <u>600,000</u>

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2022

NOTE 6 – RELATED PARTY FACILITY LEASE

The Charter School entered into a lease for administrative and classroom space under an operating lease with a related party, for an initial term of June 1, 2018 through May 31, 2023. The base monthly rent was \$7,500, with an increase of 1% annually. The building was sold in March 2021. The lease terms continued with the new owner, who is not a related party. For the year ended June 30, 2022, total lease expense was \$96,705.

NOTE 7 – FACILITY LEASE

In December 2021, the Charter School entered into a lease agreement with The Jewish Federation of Sarasota-Manatee, Inc. to lease a building on their property. The lease commences upon completion of the lessee improvements or August 1, 2022, whichever is earlier, and is for a term of fifteen (15) years. The annual rental amount will be \$200,000 payable in equal monthly installments for the first two years; \$300,000 for years three, four and five; \$313,200 for years six – ten; and \$360,000 for years eleven – fifteen. The annual rental will increase by \$1,044 for each enrolled student over 300.

Future minimum payments as of June 30, 2022 are as follows:

2022	\$	183,333
2023		200,000
2024		291,667
2025		300,000
2026		300,000
Thereafter		<u>3,391,000</u>
Total	\$	<u>4,666,000</u>

NOTE 8 – RETIREMENT PLAN

The Charter School sponsors a defined contribution pension plan that covers all full-time employees that have met certain age and service requirements. The Charter School's contributions to the plan are \$400 the first year, \$500 the second year and \$600 the third year per participating employee. Employees are vested in the plan according to a schedule. For the year ended June 30, 2022, the Charter School's retirement plan contributions were \$14,862.

SARASOTA ACADEMY OF THE ARTS, INC.

Notes to the Basic Financial Statements

June 30, 2022

NOTE 9 – LOCAL REVENUE SOURCES

The following is a schedule of local revenue sources and amounts:

<u>Source</u>	<u>Amount</u>
Federal through state	
IDEA grant	\$ 3,627
Title II grant	<u>1,000</u>
Subtotal	<u>4,627</u>
State through local	
Base funding	1,200,285
Reading instruction	7,652
Classroom for kids	179,721
Capital improvements	45,155
Other state revenue	<u>205,017</u>
Subtotal	<u>1,637,830</u>
Charges for services	
Clubs	20,000
Performing arts	8,642
Other charges	<u>43,696</u>
Subtotal	<u>72,338</u>
Local	
Referendum millage allocation	268,956
Instructional materials	14,092
Grants/donations/fundraising	<u>31</u>
Subtotal	<u>283,079</u>
Interest income	<u>131</u>
Total	<u>\$ 1,998,005</u>

NOTE 10 – RISK MANAGEMENT PROGRAMS

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Charter School has purchased commercial insurance.

NOTE 11 – EVALUATION OF SUBSEQUENT EVENTS

The Charter School has evaluated subsequent events through September 16, 2022 the date the financial statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

SARASOTA ACADEMY OF THE ARTS, INC.
Required Supplementary Information
Budgetary Comparison Schedule - General and Capital Projects Funds (Unaudited)
For the Year Ended June 30, 2022

	Primary Government			
	Original Budget	Final Budget	Actual	Over / (Under)
Revenues				
Federal through state	\$ 10,500	\$ 10,500	\$ 7,174	(3,326)
State	1,673,940	1,673,940	1,546,417	(127,523)
Local	394,005	394,005	443,283	49,278
Investment income	240	240	131	(109)
Total revenues	<u>2,078,685</u>	<u>2,078,685</u>	<u>1,997,005</u>	<u>(81,680)</u>
Expenditures				
Education				
Basic instruction	1,057,202	1,057,202	907,860	(149,343)
Exceptional instruction	104,320	104,320	132,029	27,709
Instructional support services	25,000	25,000	-	(25,000)
Instruction and curriculum development services	-	-	133	133
Instructional staff training services	600	600	2,065	1,465
Instruction-related technology	400	400	3,810	3,410
Board	15,500	15,500	39,224	23,724
General administration	36,171	36,171	32,412	(3,759)
School administration	278,366	278,366	271,836	(6,530)
Fiscal services	27,000	27,000	27,019	19
Food services	400	400	170	(230)
Central services	1,080	1,080	126	(954)
Pupil transportation	41,676	41,676	30,452	(11,224)
Operation of plant	298,854	298,854	248,072	(50,782)
Maintenance of plant	85,500	85,500	30,861	(54,639)
Administrative technology	46,419	46,419	57,476	11,058
Community services	30,250	30,250	34,096	3,846
Capital Outlay	-	-	1,214,739	1,214,739
Debt service	-	-	6,283	6,283
Total expenses	<u>2,048,738</u>	<u>2,048,738</u>	<u>3,038,663</u>	<u>989,925</u>
Excess (deficit) of revenues over expenditures	<u>29,947</u>	<u>29,947</u>	<u>(1,041,658)</u>	<u>(1,071,605)</u>
Net change in fund balance	<u>\$ 29,947</u>	<u>\$ 29,947</u>	<u>\$ (1,041,658)</u>	<u>\$ (1,071,605)</u>

Notes to Required Supplementary Information:

Budgets are presented on the modified accrual basis of accounting. All annual appropriations lapse at fiscal year end. Budgets may be amended by resolution at any board meeting prior to the date for the annual report.

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

To the Board of Directors of
Sarasota Academy of the Arts, Inc.

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 Sarasota Academy of the Arts, Inc. (the Charter School), a Charter School and component unit of the School Board of Sarasota County, as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated September 16, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sarasota Academy of the Arts, Inc.'s internal control over financial reporting (internal control) 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 Sarasota Academy of the Arts, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Sarasota Academy of the Arts, Inc.'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 Sarasota Academy of the Arts, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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.

Pellegrino & McFarland, P.A.

Sarasota, Florida
September 16, 2022

MANAGEMENT LETTER

To the Board of Directors
Sarasota Academy of the Arts, Inc.

Report on the Financial Statements

We have audited the financial statements of Sarasota Academy of the Arts, Inc. (the Charter School), a Charter School and component unit of the School Board of Sarasota County, as of and for the year ended June 30, 2022, and have issued our report thereon dated September 16, 2022.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.800, Rules of the Auditor General.

Other Reporting Requirements

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*. Disclosures in that report, which is dated September 16, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1, Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, as noted below under the heading *Status of Prior Year Findings and Recommendations* and *Current Year Findings and Recommendations*.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, required the name or official title of the entity. The official title of the entity is Sarasota Academy of the Arts, Inc.

Financial Condition

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we report the results of our determination as to whether or not the 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 Sarasota Academy of the Arts, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the school. It is management's responsibility to monitor the school's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

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 the school maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Sarasota Academy of the Arts, Inc. maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

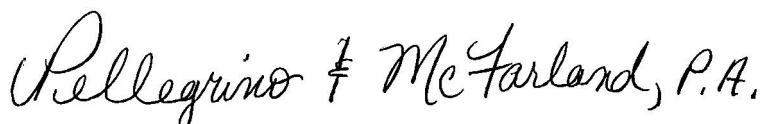
Other Matters

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, matters required to be disclosed are included under the heading *Status of Prior Year Findings and Recommendations* and *Current Year Findings and Recommendations*.

Section 10.854(1)(e)4, Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuses 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 the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and the School Board of Sarasota County, Florida, and it is not intended to be and should not be used by anyone other than these specified parties.



Sarasota, Florida
September 16, 2022

Status of Prior Year Findings and Recommendations

There were no prior year findings or recommendations.

Current Year Findings and Recommendations

There were no current year findings or recommendations.