

**DISTRICT SCHOOL BOARD, CHARTER SCHOOL AND SIMILAR ENTITY,
THE FLORIDA VIRTUAL SCHOOL (INCLUDING FLORIDA VIRTUAL SCHOOL
GLOBAL), AND VIRTUAL INSTRUCTION PROGRAM PROVIDER
AUDIT REPORT SUBMITTAL CHECKLIST**

Entity Name: Highly Inquisitive & Versatile Education (HIVE)
Preparatory School

Entity Address: 5855 NW 177 ST Miami Gardens, FL 33015

Entity Contact Person:

Name: Carlos Gonzalez

Title: Principal

Phone Number: 305-231-4888

E-mail Address: cvgonzalez@hiveprep.com

CPA or Other (if applicable):

Name: Alexander Sueiro, CPA

Title: Partner

Phone Number: 305-567-0150

E-mail Address: asueiro@paast.com

Fiscal Year Audited: June 30, 2019

Date the auditor delivered the audit report to the entity: September 10, 2019

Does the audit report include the following items required by Sections 10.806(2) or 10.856(2), Rules of the Auditor General, as applicable?

 X Financial statements, as described in Sections 10.805(3) and 10.855(3) - (6), Rules of the Auditor General, as applicable, together with related notes to financial statements?

 X Required supplementary information such as the management's discussion and analysis?

 X The auditor's report on the financial statements?

 X The auditor's report on internal control and compliance?

 N/A Any other auditor's reports, related financial information, and auditee-prepared documents required pursuant to Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or other applicable Federal law?

 X The management letter defined in Sections 10.804(1)(f) and 10.854(1)(e), Rules of the Auditor General, as applicable?

- N/A The written statement of explanation or rebuttal required by Sections 10.807(1) and 10.857(2), Rules of the Auditor General, as applicable?
- N/A For district school boards that had an impact fee adopted by ordinance on their behalf, an "affidavit" signed and sworn to by the chief financial officer before an officer authorized to administer oaths (e.g., notary public) stating that the district school board complied with the requirements of Section 163.31801, Florida Statutes, as referenced by Section 10.806(2)(h), Rules of the Auditor General?

In addition to the above, have the following requirements been complied with:

- X Are all of the above elements of the audit report included in a **single document** as required by Sections 10.806(2) and 10.856(2), Rules of the Auditor General, as applicable?
- X Are **one** paper copy and **one** electronic copy of the audit report being submitted as required by Sections 10.807(3) and 10.857(4), Rules of the Auditor General, as applicable?
- X Is the electronic copy named using all lower case letters as follows: [fiscal year] [name of entity].pdf? For example, the converted document for the 2017-18 fiscal year for Alachua County District School Board should be named 2018 alachua county dsb.pdf, while the converted document for the 2017-18 fiscal year for Alachua Learning Center, Inc. should be named 2018 alachua learning center.pdf. If the charter school goes by a DBA (doing business as), use the DBA in the file name.
- X Was the audit report submitted within 45 days after receipt of the audit report from the auditor, but no later than 9 months after the end of the fiscal year as required by Section 218.39(7), Florida Statutes, as referenced by Sections 10.807(3) and 10.857(4), Rules of the Auditor General? **NOTE:** There is no provision in law authorizing an extension for filing the audit report.

This checklist should accompany the audit report. It is suggested that you retain a copy of the checklist for your files. Do not hesitate to contact us if assistance or clarification is needed regarding reporting requirements. Our contact information is as follows:

Auditor General
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, Florida 32399-1450

Telephone: (850) 412-2881

E-mail Address: flaudgen_dsb_charter@aud.state.fl.us

Web site Address: FLAuditor.gov

HIGHLY INQUISITIVE & VERSATILE EDUCATION (HIVE) PREPARATORY SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2019

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
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HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

As management of Highly Inquisitive & Versatile Education (HIVE) Preparatory School (the "School") and Advanced Learning Charter School, Inc. (the "Charter Holder"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2019 to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements starting on page 9.

Financial Highlights

- Assets exceeded liabilities at the end of the fiscal year by \$916,150 (net position).
- Current assets exceeded current liabilities at the end of the fiscal year by \$549,384.
- The change in net position for the year ended June 30, 2019 was \$149,699.
- The unassigned fund balance at the end of the fiscal year was \$518,322.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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 liabilities, with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state and federal funding (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself. The School Board of Miami-Dade County, Florida includes the operations of the School in their operational results.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements A fund is a collection of related accounts grouped together to maintain control over resources that have been segregated for specific activities and objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains two individual government funds. Information is presented separately in the governmental fund balance sheet and statement of revenue, expenditures and changes in fund balances. The general fund and special revenue fund are considered to be major funds. The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules have been provided to demonstrate compliance with this budget and can be found on pages 28 and 29 of this report.

Notes to the Financial Statements The notes 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 starting on page 15 of this report.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

Government-wide Financial Analysis

As noted previously, net position serves, over time, as a useful indicator of the School's financial position. For the years ended June 30, 2019 and 2018, the School's assets exceeded liabilities by \$916,150 and \$766,451, respectively.

**HIVE Preparatory School
Statements of Net Position**

	Governmental Activities		
	2019	2018	Variance
ASSETS			
Cash and cash equivalents	\$ 644,785	\$ 812,054	\$ (167,269)
Due from other agencies	82,996	65,690	17,306
Other assets	9,312	56,456	(47,144)
Capital assets, net of depreciation	<u>12,650,523</u>	<u>830,154</u>	<u>11,820,369</u>
Total assets	<u>\$ 13,387,616</u>	<u>\$ 1,764,354</u>	<u>\$ 11,623,262</u>
LIABILITIES			
Current and other liabilities	\$ 187,709	\$ 460,459	\$ (272,750)
Long-term liabilities	<u>12,283,757</u>	<u>537,444</u>	<u>11,746,313</u>
Total liabilities	<u>\$ 12,471,466</u>	<u>\$ 997,903</u>	<u>\$ 11,473,563</u>
NET POSITION			
Investment in capital assets	\$ 1,359,514	\$ 830,154	\$ 529,360
Restricted	21,750	-	21,750
Unrestricted (deficit)	<u>(465,114)</u>	<u>(63,703)</u>	<u>(401,411)</u>
Total net position	<u>\$ 916,150</u>	<u>\$ 766,451</u>	<u>\$ 149,699</u>

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

Government-wide Financial Analysis (Continued)

**HIVE Preparatory School
Statement of Activities**

	2019	2018	Variance
Revenue:			
Federal through Local	\$ 610,379	526,865	\$ 83,514
State and Local	5,700,059	4,373,242	1,326,817
Aftercare and lunch fees	333,002	233,847	99,155
Other Revenue (including Charges for Services)	173,685	90,884	82,801
Total Revenue	<u>6,817,125</u>	<u>5,224,838</u>	<u>1,592,287</u>
Expenses:			
Instruction	2,708,529	2,233,655	474,874
Instruction and Curriculum Development	14,737	10,252	4,485
General Administration	240,622	148,092	92,530
School Administration	971,831	726,811	245,020
Facilities Acquisition and Construction	107,113	50,034	57,079
Fiscal Services	543,614	422,608	121,006
Food Services	436,397	427,707	8,690
Operation of Plant - Interest on Capital Lease	836,595	-	836,595
Operation of Plant - Depreciation	576,863	57,831	519,032
Operation of Plant - Other	531,979	851,648	(319,669)
Maintenance of Plant	9,371	16,238	(6,867)
Community Services	227,219	240,474	(13,255)
Total Expenses	<u>7,204,870</u>	<u>5,185,350</u>	<u>2,019,520</u>
Other income	<u>537,444</u>	<u>-</u>	<u>537,444</u>
Change in net position	149,699	39,488	110,211
Net position at the beginning of the year	<u>766,451</u>	<u>726,963</u>	<u>39,488</u>
Net position at the end of the year	<u>\$ 916,150</u>	<u>766,451</u>	<u>\$ 149,699</u>

Financial Analysis of the Governmental Funds

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

Government 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, unassigned fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

Financial Analysis of the Governmental Funds (Continued)

The general fund is the chief operating fund of the School. At the end of the current fiscal year, the School's governmental general fund reported an ending fund balance of \$549,384, of which \$518,322 is unassigned and available for spending at the School's discretion. These funds will be available for the School's future ongoing operations.

Governmental Fund Budgetary Highlights

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

	Budget		Actual
	Original	Final	
Revenue:			
FTE Funding	\$ 5,197,782	\$ 5,136,137	\$ 5,343,472
Charter Capital Outlay	353,979	356,587	356,587
Title 1	146,100	146,346	146,346
NSLP and Lunch Fees	457,650	464,033	464,033
After Care and Summer Program	278,619	506,388	333,002
Other Revenue	-	170,913	173,685
Total Revenue	<u>6,434,130</u>	<u>6,780,404</u>	<u>6,817,125</u>
Expenditures:			
Instruction	2,472,659	2,675,566	2,623,938
Instruction and Curriculum Development	20,112	14,737	14,737
General Administration	182,055	48,280	240,622
School Administration	885,931	1,076,358	971,831
Facility Acquisition and Construction	21,519	200,715	43,047
Fiscal Services	557,775	559,683	543,614
Food Services	439,211	429,440	435,162
Operation of Plant - Capital Lease Payments	808,491	808,491	808,491
Operation of Plant - Other	588,608	612,571	531,979
Maintenance of Plant	18,220	6,371	9,371
Community Services	141,049	225,741	227,219
Capital Outlay:			
Other Capital Outlay	-	-	536,010
Total Expenditures	<u>6,135,630</u>	<u>6,657,953</u>	<u>6,986,021</u>
Excess Expenditures over Revenues	<u>\$ 298,500</u>	<u>\$ 122,451</u>	<u>\$ (168,896)</u>

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year. The Final Budget was formulated based on actual FTE counts and staffing levels.

Capital Assets and Debt Administration

Capital Assets The School's investment in capital assets for its governmental activities as of June 30, 2019 totaled \$12,650,523, net of accumulated depreciation. This investment in capital assets includes property acquired under a capital lease, leasehold improvements, furniture, fixtures and equipment, audio visual equipment, computers and peripherals, and textbooks. Additional information on the School's capital assets can be found in Note 3 of the Financial Statements on page 22 of this report.

Debt Administration The School's long-term liabilities at June 30, 2019 totaled \$12,283,757. The balance is comprised of a credit facility in amount of \$255,655 and \$12,028,102 associated with the capital lease obligation resulting from the School's Facility Lease. Further discussions of the School's long-term debt and capital lease can be found in Notes 4 and 5, respectively, of the Financial Statements on pages 23 through 25 of this report.

Accomplishments HIVE Preparatory School completed its tenth year of operations, receiving an "A" grade from the Florida Department of Education in each of the years it has been eligible to receive such grade. The School is ranked among the top 10% of public schools and top 2% of Title 1 public schools in the State of Florida, based on the points it received under the State's Accountability Program. HIVE Prep is STEM accredited by the Miami-Dade County Public Schools system and was categorized as the highest scoring K-8 STEM School in the District (Silver). HIVE Prep continues to be recognized as a SACS Accredited (since 2011) and FLDOE High Performing Charter School (since 2013).

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 Mr. Carlos Gonzalez at HIVE Preparatory School, 5855 NW 171 Street, Miami Gardens, FL 33015.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Highly Inquisitive & Versatile Education Preparatory School

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highly Inquisitive & Versatile Education (HIVE) Preparatory School, (the "School"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise 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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 evaluation of 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 opinion.

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 HIVE Preparatory School as of June 30, 2019, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 6 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2019, 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, 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 the School's internal control over financial reporting and compliance.

PAAST, P.L.

Coral Gables, Florida
August 27, 2019

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 644,785
Due from other agencies	82,996
Other assets	<u>9,312</u>
Total current assets	<u>737,093</u>

Noncurrent assets:

Capital assets, depreciable (Notes 3, 5):	
Leased property under capital lease	12,000,000
Property, plant, and equipment	2,134,885
Less: accumulated depreciation	<u>(1,484,362)</u>
Capital assets, net of depreciation	<u>12,650,523</u>

TOTAL ASSETS \$ 13,387,616

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable and accrued expenses	<u>187,709</u>
Total current liabilities	<u>187,709</u>

Long-term liabilities:

Credit facility (Note 4)	255,655
Capital lease obligation (Note 5)	<u>12,028,102</u>
Total long-term liabilities	<u>12,283,757</u>

TOTAL LIABILITIES 12,471,466

Net Position:

Investment in capital assets, net of related debt	1,359,514
Restricted	21,750
Unrestricted	<u>(465,114)</u>
Total net position	<u>916,150</u>

TOTAL LIABILITIES AND NET POSITION \$ 13,387,616

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

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 2,708,529	\$ -	\$ 146,346	\$ -	\$ (2,562,183)
Instruction and Curriculum Development	14,737	-	-	-	(14,737)
General Administration	240,622	-	-	-	(240,622)
School Administration	971,831	-	-	-	(971,831)
Facilities Acquisition and Construction	107,113	-	-	-	(107,113)
Fiscal Services	543,614	-	-	-	(543,614)
Food Services	436,397	-	464,033	-	27,636
Operation of Plant - Interest on Capital Lease	836,595	-	-	-	(836,595)
Operation of Plant - Depreciation	576,863	-	-	-	(576,863)
Operation of Plant - Other	531,979	-	-	356,587	(175,392)
Maintenance of Plant	9,371	-	-	-	(9,371)
Community Services	227,219	333,002	-	-	105,783
Total Governmental activities	<u>\$ 7,204,870</u>	<u>\$ 333,002</u>	<u>\$ 610,379</u>	<u>\$ 356,587</u>	<u>(5,904,902)</u>
General revenue:					
State passed through local school district					5,343,472
Other revenue					<u>173,685</u>
					<u>5,517,157</u>
Other income (Note 5)					<u>537,444</u>
Change in net position					149,699
Net position, beginning					<u>766,451</u>
Net position, ending					<u>\$ 916,150</u>

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

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 644,785	\$ -	\$ 644,785
Due from other agencies	-	82,996	82,996
Due from other fund	82,996	-	82,996
Other assets	<u>9,312</u>	<u>-</u>	<u>9,312</u>
 TOTAL ASSETS	 <u>\$ 737,093</u>	 <u>\$ 82,996</u>	 <u>\$ 820,089</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 187,709	\$ -	\$ 187,709
Due to other fund	<u>-</u>	<u>82,996</u>	<u>82,996</u>
 TOTAL LIABILITIES	 <u>187,709</u>	 <u>82,996</u>	 <u>270,705</u>
FUND BALANCES			
Non-spendable, not in spendable form	9,312	-	9,312
Restricted	21,750	-	21,750
Unassigned	<u>518,322</u>	<u>-</u>	<u>518,322</u>
 TOTAL FUND BALANCES	 <u>549,384</u>	 <u>-</u>	 <u>549,384</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 737,093</u>	 <u>\$ 82,996</u>	 <u>\$ 820,089</u>

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

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Total Fund Balance - Governmental Funds \$ 549,384

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

Long-term liabilities are not due and payable in the current
period and, therefore, are not reported as liabilities in the
governmental funds.

Long-term liabilities at year-end consist of:

Credit facility (Note 4)	(255,655)
Capital lease obligation (Note 5)	(12,028,102)

Capital assets of \$12,600,523 (net of accumulated depreciation
of \$1,484,362) used in governmental activities are not financial
resources and therefore are not reported in governmental funds.
(Note 3)

12,650,523

Total Net Position - Governmental Activities \$ 916,150

The accompanying notes are an integral part of these financial statements

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL.
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Federal passed through local school district	\$ -	\$ 610,379	\$ 610,379
State passed through local school district	5,343,472	356,587	5,700,059
Aftercare and lunch fees	333,002	-	333,002
Other revenue	173,685	-	173,685
Total Revenue	<u>5,850,159</u>	<u>966,966</u>	<u>6,817,125</u>
Expenditures:			
Instruction	2,477,592	146,346	2,623,938
Instruction and Curriculum Development	14,737	-	14,737
General Administration	240,622	-	240,622
School Administration	971,831	-	971,831
Facilities Acquisition and Construction	43,047	-	43,047
Fiscal Services	543,614	-	543,614
Food Services	-	435,162	435,162
Operation of Plant - Capital Lease Payments	808,491	-	808,491
Operation of Plant - Other	175,392	356,587	531,979
Maintenance of Plant	9,371	-	9,371
Community Services	227,219	-	227,219
Capital Outlay:			
Other Capital Outlay	<u>536,010</u>	<u>-</u>	<u>536,010</u>
Total Expenditures	<u>6,047,926</u>	<u>938,095</u>	<u>6,986,021</u>
Excess (Deficiency) of Revenue over Expenditures	(197,767)	28,871	(168,896)
<i>Other Financing Sources (Uses)</i>			
Proceeds from credit facility	244,540	-	244,540
Transfers (out) and in	<u>28,871</u>	<u>(28,871)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>273,411</u>	<u>(28,871)</u>	<u>244,540</u>
Change in fund balance	75,644	-	75,644
Fund balance at the beginning of the year	<u>473,740</u>	<u>-</u>	<u>473,740</u>
Fund balance at the end of the year	<u>\$ 549,384</u>	<u>\$ -</u>	<u>\$ 549,384</u>

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

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL.
 (A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$ 75,644
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report fixed capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$539,010 differed from depreciation expense of \$715,640. (Note 3)	
	(179,630)
Repayment of debt principal is reported as an expenditure in the governmental funds, however in the statement of net position it is reflected as a reduction of liabilities and does not affect the statement of activities. (Note 5)	
Repayment of debt principal for capital leases	(28,104)
Net proceeds from the credit facility provide current financial resources for governmental funds, but increase long-term liabilities in the statement of net position. (Note 4)	
	(244,540)
Some revenues recognized in the statement of activities will not result in financial resources which will become both measurable and available in the current period, and are therefore not reported as revenues in the governmental funds.	
Income recognized on remaining deferred rent liability on canceled lease (Note 5)	537,444
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Interest expense on credit facility	<u>(11,115)</u>
Total change in net position of governmental activities	<u>\$ 149,699</u>

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

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Advanced Learning Charter School, Inc. is a Florida Not-For-Profit Corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The School operates a Charter School, Highly Inquisitive & Versatile Education (HIVE) Preparatory School (the "School"), located at 5855 NW 171 Street, Miami Gardens, Florida 33015, under a charter of the sponsoring school district, the School Board of Miami-Dade County, Florida (the "District"). The School provides educational services to students in kindergarten through eighth grade. The Governing Board of the School is the School's Board of Directors, which is comprised of five members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The current Charter Contract (the "Contract") with the District is effective until June 30, 2028 and may be renewed by mutual agreement between the School and the District. At the end of the Contract term, the District may choose not to renew the charter under grounds specified in the Contract, in which case the District is required to give the School written notice ninety (90) days prior to the Contract's expiration. During the term of the Contract, the District may terminate the Contract for non-compliance.

Government-wide and fund financial statements

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*. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures and other financial sources and uses.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. Deferred outflows of resources represent consumption of resources that is applicable to future reporting periods that will be reported in a separate section after assets. Deferred inflows of resources represent acquisition of resources that is applicable to future reporting periods that will be reported in a separate section after liabilities.

GASB Statement No. 65, *Items previously reported as assets and liabilities*, establishes accounting and financial reporting standards that reclassify as deferred outflows of resources of deferred inflows of resources, certain items that were previously reported as assets and liabilities.

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and fund financial statements (Continued)

Net position, the difference between total assets and total liabilities, as reported on the statement of net position, are subdivided into three categories: net investment in capital assets; restricted; and unrestricted. Net investment in capital assets reports capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt and the related deferred inflows and outflows that are attributable to the acquisition, construction, or improvement of capital assets. Components of net position are reported as restricted when constraints are imposed on the use of the amounts either internally by the School's Governing Board or externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those that are clearly identifiable to a specific function. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds, which are reported in separate columns on the fund financial statements. Two of the School's funds are deemed to be major. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

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. Revenue is recognized in the period earned and expenses are recognized when a liability is incurred.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting and financial statement presentation (Continued)

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenue, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used 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. A one-year availability period is used for revenue recognition for all other governmental fund revenues. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state or other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as an expenditure only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures and other financial sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund – this is the operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – this fund accounts for all resources used by the School to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and cash equivalents

The School considers all highly liquid investments with a maturity of three months or less, at date of purchase, to be cash equivalents.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due from other agencies

Due from other agencies in the accompanying financial statements represent balances due from the National School Lunch Program and the Florida Department of Education for Charter School Capital Outlay. The School's management considers 100% of accounts receivable to be collectible. Accordingly, no allowance for doubtful accounts has been established.

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 and school administration). Revisions to the annual budget are approved by the Board.

Capital assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements at historical cost. Capital assets are defined by the School as assets with an initial combined cost of more than \$500 and an estimated useful life of more than two years. Donated capital assets are recorded at their estimated fair market 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 assets lives are expensed as incurred.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	10 – 15
Furniture, fixtures and equipment	7 – 10
Audio visual equipment	3 – 5
Computers and peripherals	3 – 5
Textbooks	3 – 5

Property acquired under capital leases is recorded at the present value of the future minimum lease payments at the time of lease inception and depreciated using the straight-line method over the lease term.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and payments of debt principal as other financing uses.

Long-term liabilities at June 30, 2019 include a credit facility of approximately \$256,000 (Note 4) and a capital lease obligation of approximately \$12,028,000 (Note 5). The capital lease obligation was recorded at the present value of the future minimum lease payments and amortized over the lease term. The liability represents the unamortized portion of the lease obligation.

Governmental fund balance reporting

The GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications reflect the nature of the funds and the level of restriction placed upon the fund balance.

GASB 54 requires fund balance amounts to be reported within the following balance categories: Non-spendable, Restricted, Committed, Assigned and Unassigned.

- *Non-spendable* – fund balance amounts associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All non-spendable fund balances at year end relate to assets not in spendable form.
- *Restricted* – fund balance amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The restricted fund balance at year end was approximately \$22,000.
- *Committed* – fund balance 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.
- *Assigned* – fund balance amounts that are intended to be used by the School 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.
- *Unassigned* – fund balance is the residual classification for the School's general fund and includes all spendable amounts not contained in other classifications.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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 a negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes exceed the positive fund balance for the non-general fund.

Revenue sources

Revenues for current operations are received primarily from the State of Florida through the District pursuant to the funding provisions included in the School's Contract. In accordance with the funding provisions of the School's Contract and Section 1002.33(17), Florida Statutes, the School reports the number of Full Time Equivalent ("FTE") students and related student information to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related student information to the Florida Department of Education (the "FDOE") for funding through the Florida Education Finance Program ("FEFP"). Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the FEFP and actual FTE students reported by the School. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School receives state funds through the District under Charter School Capital Outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent, or construction of School facilities.

The School also receives federal awards for the enhancement of various educational programs. This assistance is 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 reported as deferred revenues until expended.

The School may generate other revenue from various fundraising activities and certain other programs.

Income taxes

Advanced Learning Charter School, Inc. is exempt from income taxes under section 501(c)3 of the Internal Revenue Code of 1954 (as amended) under the classification of a public charity; accordingly, the financial statements reflect no provision for income taxes.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated absences

The School grants a specific number of days of sick/personal leave. Full-time employees are eligible for ten sick/personal days during the ten month school year period. Employees are not eligible to carry forward unused days.

Use of estimates

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

Advertising costs

The School expenses all advertising costs as they are incurred. Total advertising costs for the year ended June 30, 2019 were approximately \$34,000.

Management Review of Subsequent Events

In accordance with GASB Codification Section 2250.106, Management has evaluated subsequent events through August 27, 2019 the date when the financial statements were available to be issued.

NOTE 2 - CASH

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. It is the School's policy to maintain its cash and cash equivalents in major banks that are FDIC-insured and in high-grade investments.

FDIC deposit insurance covers the depositors of a failed FDIC-insured depository institution dollar-for-dollar, principal plus any interest accrued or due to the depositor, through the date of default, up to at least \$250,000 per depositor, per financial institution. Hive Preparatory Charter School maintains its cash and cash equivalents in two financial institutions. As of June 30, 2019, bank balances exceeding FDIC coverage was proximately \$412,000.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3 - CAPITAL ASSETS

Changes in capital assets consist of the following:

	Balance at July 1, 2018	Additions	Disposals	Balance at June 30, 2018
Capital assets:				
Leasehold improvements	\$ 783,900	\$ -	\$ -	\$ 783,900
Furniture, fixtures and equipment	247,263	153,285	-	400,548
Audio visual equipment	1,968	-	-	1,968
Computers and peripherals	347,433	301,042	-	648,475
Textbooks	218,311	81,683	-	299,994
Property acquired under capital lease	-	12,000,000	-	12,000,000
Total capital assets	<u>1,598,875</u>	<u>12,536,010</u>	<u>-</u>	<u>14,134,885</u>
Less accumulated depreciation:				
Leasehold improvements	(150,868)	(51,871)	-	(202,739)
Furniture, fixtures and equipment	(187,422)	(35,445)	-	(222,867)
Audio visual equipment	(1,968)	-	-	(1,968)
Computers and peripherals	(268,331)	(92,037)	-	(360,368)
Textbooks	(160,133)	(56,287)	-	(216,420)
Property acquired under capital lease	-	(480,000)	-	(480,000)
Total accumulated depreciation	<u>(768,722)</u>	<u>(715,640)</u>	<u>-</u>	<u>(1,484,362)</u>
Total governmental activities capital assets, net	<u>\$ 830,153</u>	<u>\$ 11,820,370</u>	<u>\$ -</u>	<u>\$ 12,650,523</u>

Depreciation expense for the year ended June 30, 2019 was \$715,640 and is allocated in the statement of activities as follows:

Operation of plant - depreciation	\$ 576,863
Instruction	84,591
Facilities and acquisition	52,951
Food services	<u>1,235</u>
Total depreciation expense	<u>\$ 715,640</u>

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4 - CREDIT FACILITY

The School has a credit facility with BridgeRock Capital Corporation ("BridgeRock"), a related party (Note 6), in the amount of \$500,000. The credit facility bears interest at a rate of 5%, matures on June 30, 2024, and is collateralized by the corporate assets of the School. Under the terms of the credit facility, the School may draw advances in increments of \$25,000 up to the facility amount. The outstanding balance of the credit facility at June 30, 2019 was approximately \$256,000. Interest expense for the year then ended was approximately \$11,000 and is included in facilities acquisition and construction on the accompanying statement of activities. All principal and interest is due and payable on the maturity date.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Capital Lease

On October 29, 2009, the School entered into a Facility Lease (the "Lease") with Palmetto KTP, LLC, a related party. The initial lease was effective for a fifteen year term with a lease end date of June 30, 2024. On August 17, 2018, the School expanded the facility and amended the lease agreement to increase monthly rent payments and extend the lease expiration to August 17, 2043. Base rent of the lease escalates at a rate of 2.0% or CPI, whichever is greater. The remaining deferred rent liability balance of \$537,444 on the lease term prior to the new agreement was eliminated and is included in the other revenue on the statement of activities.

The School recorded the new facility as a capital lease at the present value of the future minimum lease payments at the time of the lease extension. The leased facility is depreciated straight-line over the twenty-five year lease term. As of June 30, 2019, the property acquired under capital lease was \$11,520,000, net of accumulated depreciation of \$480,000, and is reported with capital assets in the statement of net position. Depreciation expense of \$480,000 is included in operation of plant - depreciation in the statement of activities.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Capital Lease (Continued)

The future minimum lease payments under the capital lease, together with the present value of the minimum lease payments, are as follows:

<u>School Year</u>	<u>Future Commitments</u>
2019-2020	\$ 987,978
2020-2021	1,007,738
2021-2022	1,027,892
2022-2023	1,048,450
2023-2024	1,069,419
Thereafter	<u>25,853,190</u>
Total	30,994,667
Less amount representing interest	<u>18,966,565</u>
Present value of minimum lease payments	<u>\$ 12,028,102</u>

The interest rate related to the lease obligation is 8.36%. Interest expense for the year ended June 30, 2019 was \$836,596 and is allocated to operation of plant in the statement of activities.

Operating Leases

The School entered into an operating lease agreement with IBB on January 27, 2017. The term of the lease was three years with an expiration date of June 30, 2020. During the year ended June 30, 2019, the School canceled the lease agreement with IBB. No further payments or obligations are due under the agreement.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases (Continued)

The School also leases office equipment under non-cancelable operating leases. The approximate minimum future commitments under these leases are as follows:

<u>School Year</u>	<u>Future Commitments</u>
2019-2020	\$ 58,173
2020-2021	58,173
2021-2022	58,173
2022-2023	55,725
2023-2024	<u>7,343</u>
Total	<u>\$ 237,587</u>

Total rent expense for the year ended June 30, 2019 was approximately \$257,000. This amount includes triple net charges for common area maintenance, property insurance and management fees.

Contingencies - Other

The School receives substantially all of its funding from the District under the Florida Education Finance Program, which is based in part on a computation of the number of full-time equivalent 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.

NOTE 6 - RELATED PARTIES

BridgeRock is the provider of the credit facility to the School (Note 4). As of June 30, 2019, the School had an outstanding principal and accrued interest balance of approximately \$256,000. The School incurred interest expense of approximately \$11,000 during the year ended June 30, 2019.

BridgeRock Education Corp., a company related to BridgeRock by common ownership, provides 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. The agreement is for a period of five years through June 30, 2019, and unless terminated by the board, shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2019, the School incurred approximately \$514,000 in management fees.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 6 - RELATED PARTIES (CONTINUED)

In addition, the School leases its facilities (Note 5) from Palmetto KTP, LLC, a company related to BridgeRock by common ownership. During the year ended June 30, 2019, the School made lease payments totaling approximately \$979,000 to Palmetto KTP, LLC.

Pursuant to the Charter School contract with the District, the District withholds an administrative fee of the qualifying revenues of the School. For the year ended June 30, 2019, administrative fees withheld by the District totaled approximately \$35,000.

NOTE 7 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; general liabilities; and natural disasters for which the School carries commercial liability insurance. There have been no claims against the policy during the fiscal year ended June 30, 2019.

NOTE 8 – DEFINED CONTRIBUTION PLAN

The School maintains a contributory profit sharing plan (the "Plan") as defined under Section 401(k) of the U.S. Internal Revenue Code covering substantially all employees. In 2019, the School contributed 100% of the amount of elective deferral contributions that did not exceed 3% of eligible compensation and 50% of the amount of elective deferral contributions above 3% to a maximum of 4% of eligible compensation. Employer contributions during the year ended June 30, 2019 totaled approximately \$63,000. John Hancock Life Insurance Company acts as the Plan's custodian.

Required Supplemental Information

HIVE PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET VS. ACTUAL - GENERAL FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Final Variance
	Original	Final		
Revenue:				
State passed through local school district	\$ 5,197,782	\$ 5,136,137	\$ 5,343,472	\$ 207,335
Local sources	278,619	506,388	333,002	(173,386)
Other revenue	-	170,913	173,685	2,772
Total Revenue	<u>5,476,401</u>	<u>5,813,438</u>	<u>5,850,159</u>	<u>36,721</u>
Expenditures:				
Instruction	2,291,394	2,421,388	2,477,592	56,204
Instruction and Curriculum Development	20,112	14,737	14,737	-
General Administration	79,257	48,280	240,622	192,342
School Administration	882,729	1,072,605	971,831	(100,774)
Facility Acquisition and Construction	21,519	200,715	43,047	(157,668)
Fiscal Services	557,775	559,683	543,614	(16,069)
Food Services	29,660	30,061	-	(30,061)
Operation of Plant - Capital Lease Payments	808,491	808,491	808,491	-
Operation of Plant - Other	394,893	418,856	175,392	(243,464)
Maintenance of Plant	18,220	6,371	9,371	3,000
Community Services	141,049	225,741	227,219	1,478
Capital Outlay:				
Other Capital Outlay	-	-	536,010	536,010
Total Expenditures	<u>5,245,099</u>	<u>5,806,928</u>	<u>6,047,926</u>	<u>240,998</u>
Excess (Deficiency) of Revenue over Expenditures	231,302	6,510	(197,767)	(204,277)
Other Financing Sources (Uses)				
Proceeds from credit facility	244,540	244,540	244,540	-
Transfers in and (out)	169,996	115,940	28,871	(87,069)
Total Other Financing Sources (Uses)	<u>414,536</u>	<u>360,480</u>	<u>273,411</u>	<u>(87,069)</u>
Change in Fund Balance	645,838	366,990	75,644	(291,346)
Fund balance at the beginning of the year	636,023	473,740	473,740	-
Fund balance at the end of the year	<u>\$ 1,281,861</u>	<u>\$ 840,730</u>	<u>\$ 549,384</u>	<u>\$ (291,346)</u>

See accompanying notes to required supplemental information.

HIVE PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET VS. ACTUAL – SPECIAL REVENUE FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Final
	Original	Final	Actual	Variance
Revenue:				
Federal passed through local school district	\$ 603,750	\$ 610,379	\$ 610,379	\$ -
State passed through local school district	353,979	356,587	356,587	-
Local sources	-	-	-	-
Total Revenue	<u>957,729</u>	<u>966,966</u>	<u>966,966</u>	<u>-</u>
Expenditures:				
Instruction	181,265	254,179	146,346	(107,833)
Instruction and Curriculum Development	-	-	-	-
General Administration	-	-	-	-
School Administration	3,202	3,753	-	(3,753)
Facility Acquisition and Construction	-	-	-	-
Fiscal Services	-	-	-	-
Food Services	409,551	399,380	435,162	35,782
Operation of Plant - Capital Lease Payments	-	-	-	-
Operation of Plant - Other	193,715	193,715	356,587	162,872
Maintenance of Plant	-	-	-	-
Community Services	-	-	-	-
Capital Outlay:				
Other Capital Outlay	-	-	-	-
Total Expenditures	<u>787,733</u>	<u>851,027</u>	<u>938,095</u>	<u>87,068</u>
Excess (Deficiency) of Revenue over Expendit	169,996	115,939	28,871	(87,068)
Other Financing Sources (Uses)				
Proceeds from credit facility	-	-	-	-
Transfers in and (out)	<u>(169,996)</u>	<u>(115,939)</u>	<u>(28,871)</u>	<u>87,068</u>
Total Other Financing Sources (Uses)	<u>(169,996)</u>	<u>(115,939)</u>	<u>(28,871)</u>	<u>87,068</u>
Change in Fund Balance	-	-	-	-
Fund balance at the beginning of the year	-	-	-	-
Fund balance at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to required supplemental information.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - BUDGETARY INFORMATION

Basis of accounting

The School's annual budgets are adopted for the entire operation at the combined governmental level and may be amended by the Board. Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major fund for which a legally adopted budget exists.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is at the fund level.

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*

To the Board of Directors of Highly Inquisitive & Versatile Education Preparatory 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 Highly Inquisitive & Versatile Education (HIVE) Preparatory School (the "School") which comprise the statement of net position as of June 30, 2019, and the related statements of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PAAST, P.L.

Coral Gables, Florida
August 27, 2019

MANAGEMENT LETTER

To the Board of Directors of Highly Inquisitive & Versatile Education Preparatory School
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of the Highly Inquisitive & Versatile Education (HIVE) Preparatory School (the "School"), Florida, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated August 27, 2019.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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 August 27, 2019, 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 statement audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Highly Inquisitive & Versatile Education (HIVE) Preparatory School, 131014.

Honorable Board of Directors of
Highly Inquisitive & Versatile Education Preparatory School

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Highly Inquisitive & Versatile Education (HIVE) Preparatory 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 the Highly Inquisitive & Versatile Education (HIVE) Preparatory 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 Highly Inquisitive & Versatile Education (HIVE) Preparatory School. It is management's responsibility to monitor Highly Inquisitive & Versatile Education (HIVE) Preparatory 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.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether Highly Inquisitive & Versatile Education (HIVE) Preparatory School maintains on its Web site information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note 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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

PAAST, P.L.

Certified Public Accountants
Coral Gables Florida
August 27, 2019