

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
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JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council Members of the
City of Hialeah, Florida
City of Hialeah Educational Academy, Inc.
Hialeah, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Hialeah Educational Academy, Inc., (the "School") as of and for the fiscal year ended June 30, 2020, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 School'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 School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the School, as of June 30, 2020, and the respective changes in financial position for the fiscal year then ended in conformity 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 3 through 7 and 19 and 20 be presented to supplement the basic financial statements. Such information, although not 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 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 14, 2020 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Garcia, LLP
Miami, Florida
September 14, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Our discussion and analysis of the City of Hialeah Educational Academy, Inc.'s., (the "School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2020. It should be read in conjunction with the School's financial statements which immediately follow this discussion.

Financial Highlights

- The assets and deferred outflows of resources of the School exceeded its liabilities and deferred inflows of resources at June 30, 2020 by \$3,061,875 compared to \$2,965,847 as of June 30, 2019 (net position).
- At June 30, 2020, the School had current assets on hand of \$3,202,464 compared to \$2,518,431 as of June 30, 2019 and current liabilities of \$740,750 compared to \$373,676. The increase in current assets was due a larger per student funding amount from the State.
- The net position of the School increased by \$96,028 during 2020 compared to an increase of \$542,566 during the prior year.
- At June 30, 2020, the School reported \$2,112,941 of unassigned fund balance compared to \$1,578,760 as of June 30, 2019; an increase of \$534,181.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School's assets and deferred outflows of resources and liabilities and deferred inflows of resources. The difference between the two is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 8 - 9 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

The School only has one governmental fund; the General Fund. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental Fund financial statements, however, focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Fund Financial Statements (Continued)

The City adopts an annual appropriated budget for the School's general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

The governmental fund financial statements can be found on pages 10 - 11 of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 12 - 18 of this report.

Government-Wide Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, assets and deferred outflows exceeded liabilities and deferred inflows by \$3,061,875 at the close of the fiscal year. A summary of the School's net position as of June 30, 2020:

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Cash	\$ 2,757,006	\$ 1,848,303	\$ 908,703	49%
Receivable and other	445,458	670,128	(224,670)	-34%
Capital assets, net	<u>600,161</u>	<u>821,092</u>	<u>(220,931)</u>	-27%
Total assets	<u>3,802,625</u>	<u>3,339,523</u>	<u>463,102</u>	14%
Current liabilities	<u>740,750</u>	<u>373,676</u>	<u>367,074</u>	98%
Investment in capital assets	600,161	821,092	(220,931)	-27%
Unrestricted	<u>2,461,714</u>	<u>2,144,755</u>	<u>316,959</u>	15%
Total net position	<u>\$ 3,061,875</u>	<u>\$ 2,965,847</u>	<u>\$ 96,028</u>	3%

At the end of the year, the School is able to report positive balances in total net position. The increase in cash was due to a larger per student funding amount from the State. The decrease in receivables and other was due to current year prepaid rent being offset by the payments made per contract. The increase noted in current liabilities was due to the School's outstanding bills to the management company at fiscal year end.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Government-Wide Financial Analysis (Continued)

A summary and analysis of the School's revenues and expenses for the fiscal year ended June 30, 2020 follows.

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Revenues:				
Program revenues:				
Capital grants and contributions	\$ 585,193	\$ 560,754	\$ 24,439	4%
Operating grants and contributions	748,102	731,921	16,181	2%
Charges for services	16,476	22,379	(5,903)	-26%
Investment earnings	18,686	38,948	-	0%
Miscellaneous income	30,864	19,479	11,385	58%
General revenues:				
FTE nonspecific revenues	<u>6,451,019</u>	<u>6,240,559</u>	<u>210,460</u>	3%
Total revenues	<u>7,850,340</u>	<u>7,614,040</u>	<u>236,300</u>	3%
Expenses:				
Instruction	3,940,840	3,568,350	372,490	10%
Student support services	102,227	-	102,227	-
Instructional staff training services	59,400	57,033	2,367	4%
Board	13,828	10,136	3,692	36%
School administration	1,151,905	1,054,909	96,996	9%
Facilities acquisition and construction	2,497	2,497	-	0%
Fiscal services	139,500	121,475	18,025	15%
Food services	332,368	379,974	(47,606)	-13%
Central services	311,020	202,622	108,398	53%
Student transportation services	80	-	80	0%
Operation of plant	1,496,194	1,491,004	5,190	0%
Maintenance of plant	159,756	122,085	37,671	31%
Administrative technology services	44,697	36,356	8,341	-
Community services	-	25,033	(25,033)	100%
Total expenses	<u>7,754,312</u>	<u>7,071,474</u>	<u>682,838</u>	10%
Increase in net position	96,028	542,566	(446,538)	-82%
Net position, beginning of year	<u>2,965,847</u>	<u>2,423,281</u>	<u>542,566</u>	22%
Net position, end of year	<u>\$3,061,875</u>	<u>\$2,965,847</u>	<u>\$ 96,028</u>	3%

The School's revenue and expenses increased by \$236,300 and \$682,838, respectively, as a result of a larger per student funding amount from the State and a significant increase in payroll expense due to base salary increase across the board. The School had an increase in net position of \$96,028 due to a larger per student funding amount from the State.

Financial Analysis of the Governmental Fund

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

Governmental Fund

The focus of the School's governmental fund 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 government's net resources available for spending at the end of the fiscal year.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Governmental Fund (Continued)

The School only has one governmental fund. The following is a financial analysis of the governmental fund:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Cash	\$ 2,757,006	\$ 1,848,303	\$ 908,703
Receivable and other	445,458	670,128	(224,670)
Total assets	<u>3,202,464</u>	<u>2,518,431</u>	<u>684,033</u>
Liabilities	<u>740,750</u>	<u>373,676</u>	<u>367,074</u>
Non-spendable fund balance	348,773	565,995	(217,222)
Unassigned fund balance	<u>2,112,941</u>	<u>1,578,760</u>	<u>534,181</u>
Total fund balance	<u>\$ 2,461,714</u>	<u>\$ 2,144,755</u>	<u>\$ 316,959</u>

At the end of the fiscal year, the School's governmental fund reported a fund balance of \$2,461,714, an increase of \$316,959 from the prior year. Assets and liabilities increased for the same reasons explained in the highlights of the government-wide financial statements and page 5 in the government-wide financial analysis.

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Revenues:				
Local sources	\$ 7,036,212	\$ 6,801,313	\$ 234,899	3%
Federal through state	748,102	731,921	16,181	2%
Charges for services	16,476	22,379	(5,903)	-26%
Investment earnings	18,686	38,948	(20,262)	-52%
Miscellaneous income	<u>30,864</u>	<u>19,479</u>	<u>11,385</u>	58%
Total revenues	<u>7,850,340</u>	<u>7,614,040</u>	<u>245,177</u>	3%
Expenses:				
Instruction	3,733,490	3,345,674	387,816	12%
Student support services	102,227	-	102,227	-
Instructional staff training services	59,400	57,033	2,367	4%
Board	13,828	10,136	3,692	36%
School administration	1,145,084	1,047,583	97,501	9%
Fiscal services	139,500	121,475	18,025	15%
Food services	330,421	377,883	(47,462)	-13%
Central services	311,020	202,622	108,398	53%
Student transportation services	80	-	80	-
Operation of plant	1,433,173	1,423,140	10,033	1%
Maintenance of plant	159,756	122,085	37,671	31%
Administrative technology services	44,697	36,356	8,341	-
Community services	-	25,033	(25,033)	100%
Capital outlay	<u>60,705</u>	<u>607,974</u>	<u>(547,269)</u>	-90%
Total expenses	<u>7,533,381</u>	<u>7,376,994</u>	<u>156,387</u>	2%
Net change in fund balance	316,959	237,046	88,790	37%
Fund balance, beginning of year	<u>2,144,755</u>	<u>1,907,709</u>	<u>237,046</u>	12%
Fund balance, end of year	<u>\$ 2,461,714</u>	<u>\$ 2,144,755</u>	<u>\$ 325,836</u>	15%

The State appropriated a slightly larger per student funding amount than the amount appropriated for the 2019-2020 School year.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Capital Assets and Debt Administration

The School's investment in capital assets as of June 30, 2020 amounts to \$600,161 (net of accumulated depreciation) as compared to \$821,092 (net of accumulated depreciation) as of June 30, 2020. For more information on capital assets see Note 4 on page 17.

The School has no outstanding debt.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the City adopted an annual budget for the School. A budgetary comparison schedule has been provided for the governmental funds to demonstrate compliance with the School's budget and it is reported on page 19.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash	\$ 2,757,006
Receivable	96,685
Prepays	<u>348,773</u>
Total current assets	<u>3,202,464</u>
Non-current assets:	
Capital assets, being depreciated	1,658,974
Less: accumulated depreciation	<u>(1,058,813)</u>
Total non-current assets	<u>600,161</u>
Total assets	<u>3,802,625</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	479,688
Accrued payroll	<u>261,062</u>
Total current liabilities	<u>740,750</u>
<u>NET POSITION</u>	
Investment in capital assets	600,161
Unrestricted	<u>2,461,714</u>
Total net position	<u>\$ 3,061,875</u>

See notes to financial statements.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 3,940,840	\$ -	\$ 482,462	\$ -	\$ (3,458,378)
Student support services	102,227	-	-	-	(102,227)
Instructional staff training services	59,400	-	-	-	(59,400)
Board	13,828	-	-	-	(13,828)
School administration	1,151,905	-	-	-	(1,151,905)
Facilities acquisition and construction	2,497	-	-	-	(2,497)
Fiscal services	139,500	-	-	-	(139,500)
Food services	332,368	16,476	265,640	-	(50,252)
Central services	311,020	-	-	-	(311,020)
Student transportation services	80	-	-	-	(80)
Operation of plant	1,496,194	-	-	585,193	(911,001)
Maintenance of plant	159,756	-	-	-	(159,756)
Administrative technology services	44,697	-	-	-	(44,697)
Total governmental activities	\$ 7,754,312	\$ 16,476	\$ 748,102	\$ 585,193	(6,404,541)
General revenues:					
FTE nonspecific revenues					6,451,019
Investment earnings					18,686
Miscellaneous income					30,864
Total general revenues					6,500,569
Change in net position					96,028
Net position, beginning					2,965,847
Net position, ending					\$ 3,061,875

See notes to financial statements.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2020

<u>ASSETS</u>		
Cash		\$ 2,757,006
Receivable		96,685
Prepays		<u>348,773</u>
Total assets		<u>\$ 3,202,464</u>

<u>LIABILITIES</u>		
Accounts payable		\$ 479,688
Accrued payroll		<u>261,062</u>
Total liabilities		<u>740,750</u>

<u>FUND BALANCE</u>		
Nonspendable		348,773
Unassigned		<u>2,112,941</u>
Total fund balance		<u>\$ 2,461,714</u>

Amounts reported for governmental activities in the statement of net position are different as a result of:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	<u>600,161</u>
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Net position of governmental activities	<u>\$ 3,061,875</u>
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See notes to financial statements.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

REVENUES:	
Local sources	\$ 7,036,212
Federal through state	748,102
Charges for services	16,476
Investment earnings	18,686
Miscellaneous	<u>30,864</u>
Total revenues	<u>7,850,340</u>
EXPENDITURES:	
Instruction	3,733,490
Student support services	102,227
Instructional staff training services	59,400
Board	13,828
School administration	1,145,084
Fiscal services	139,500
Food services	330,421
Central services	311,020
Student transportation services	80
Operation of plant	1,433,173
Maintenance of plant	159,756
Administrative technology services	44,697
Capital outlay	<u>60,705</u>
Total expenditures	<u>7,533,381</u>
Excess of revenues over expenditures	316,959
Fund balance, beginning of year	<u>2,144,755</u>
Fund balance, end of year	<u>2,461,714</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental fund	316,959
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.	
Add current year capital outlay	60,705
Less current year depreciation	<u>(281,636)</u>
Change in net position of governmental activities	<u>\$ 96,028</u>

See notes to financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - ORGANIZATION AND OPERATIONS

Nature of Operations

City of Hialeah Educational Academy, Inc. (the "School") is a Florida nonprofit organization established in July 2008 by the City of Hialeah, Florida (the "City") to operate a charter school. A charter from the Miami-Dade County Public School District (the "District") was granted to the City to operate the charter school which offers a career-oriented curriculum for grades six through twelve. The School, which is reported as a special revenue fund of the City, is funded from public funds based on enrollment and is also eligible for grants in accordance with State and Federal guidelines, including food service and capital outlay.

Enrollment and Grade Configuration

<u>School Name and Address</u>	<u>Location No.</u>	<u>Grades</u>	<u>Enrollment</u>	<u>School Principal</u>
City of Hialeah Educational Academy 2590 W 76th Street, Hialeah, FL 33016	7262	6 th - 12 th	930	Carlos O. Alvarez

The School is governed by an Oversight Committee which was established by City Ordinance 08-48. The Oversight Committee is composed of the City's Mayor and all seven councilmembers. The members of the Oversight Committee also serve as the Board of Directors of the School.

Oversight Committee

- Carlos Hernandez – Chair (Mayor of the City of Hialeah)
- Paul Hernandez – Vice Chair (City Council Member of the City of Hialeah)
- Katherine Cue-Fuente – Committee Member (City Council Member of the City of Hialeah)
- Jacqueline Garcia-Roves – Committee Member (City Council Member of the City of Hialeah)
- Monica Perez – Committee Member (City Council Member of the City of Hialeah)
- Jesus Tundidor – Committee Member (City Council Member of the City of Hialeah)
- Carl Zogby – Committee Member (City Council Member of the City of Hialeah)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the School's significant accounting policies is as follows:

A. Reporting Entity

The School operates under a charter granted to the City by the sponsoring school district, the Miami-Dade County Public School District (the "District"). The current charter is effective until June 30, 2028. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter for good cause as defined in the charter agreement. The School is reported as a special revenue fund of the City of Hialeah, Florida.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable which would require inclusion in the School's basic financial statements.

B. Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audits for States and Local Governments and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

C. Government-Wide Financial Statements

The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All the School's activities are classified as governmental activities.

In the government-wide statement of net position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all current and noncurrent assets and all current and noncurrent liabilities. The School's net position is reported in two (2) categories: investment in capital assets and unrestricted net position.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The net costs, by function, are supported by general revenues. The statement of activities reduces gross expenses by related program revenues. Program revenues must be directly associated with the function. Operating grants include operating- specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

D. Fund Financial Statements

The School's accounts are organized on the basis of funds. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets and deferred outflows, liabilities and deferred inflows, equity, revenues and expenditures.

The Charter School General Fund is a governmental fund type and is used to account for all the School's financial transactions.

E. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statement uses the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within two (2) months of the end of the current fiscal year. Intergovernmental revenues are recognized when all eligibility requirements have been met, if available. Expenditures generally are recorded when a liability is incurred. However, expenditures related to compensated absences are recorded only when paid from expendable available financial resources.

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.

F. Deposits and Investments

The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash. The School's cash and cash equivalents include cash on hand which are not subjected to withdrawal restrictions and an overnight repurchase agreement. The deposits, including the overnight repurchase agreement, are held in the name of the School.

The School maintains its cash accounts with two financial institutions. The School's accounts at these institutions, at times, may exceed the federally insured limit. The School maintains these deposits with major financial institutions which mitigates this risk.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at the estimated fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is provided on the straight-line basis over the respective estimated useful lives ranging from 3 to 15 years.

Capital assets are reported in the government-wide financial statements. Within governmental funds, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported within the governmental fund financial statements.

H. Income Taxes

The School is a nonprofit corporation whose revenues are derived primarily from governmental entities and is also controlled by a governmental entity (the City of Hialeah, Florida). The School is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and is subject to a tax on income from any unrelated business. The School did not have any unrelated business income for fiscal year ended June 30, 2020.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Income Taxes (Continued)

The School adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The School has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The School believes that income tax positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the School's financial condition, results of operations or cash flows. Accordingly, the School has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2020.

The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The School believes it is no longer subject to income tax examinations for years prior to 2017.

The School's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

I. Equity Classifications

Government-wide financial statements

Equity is classified as net position and displayed in three (3) components:

- Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets. As of June 30, 2020, the School did not have any outstanding debt.
- Restricted net position – consists of components of net position with constraints placed on its use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation. There were no restricted components of net position.
- Unrestricted net position – all other components of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance

As of June 30, 2020, fund balance of the governmental fund is classified as follows:

- *Non-spendable* — Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* — Amounts that can be used only for specific purposes determined by a formal action of the Oversight Committee. The Oversight Committee is the highest level of decision-making authority for the School. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Oversight Committee.
- *Assigned* — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.
- *Unassigned* — All other spendable amounts.

As of June 30, 2020, the School's total fund balance was comprised of unassigned and non-spendable.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Net Position Flow Assumption

Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the School's policy to consider restricted net position to have been depleted before unrestricted net position is applied. There was no restricted net position for the fiscal year ended June 30, 2020.

K. Compensated Absences

The School grants a specific number of days of sick/personal leave. Full time instructional employees are eligible to one day per month up to ten days of active work during the ten-month period. Employees wishing to carry forward unused days, at year end, may do so. The employees may only cash out if they have used three days or less of their sick and personal days in that school year and there must be a balance of twenty-one days remaining in the sick bank in order to cash out. The employees cannot cash out more than ten days per school year and are required to always maintain a minimum of ten days of unused sick days. The cash out value is eighty percent of their daily rate. Upon termination, sick pay is not paid out. The School has no accrued compensated absences as of June 30, 2020.

L. State Funding (Primary Source of Revenue)

Student funding is provided by the State of Florida through the School Board of Miami-Dade County, Florida. Such funding is recorded as Full-Time Equivalent ("FTE") nonspecific revenue. In accordance with the Charter Agreement, the School Board retains 5% as an administrative fee. This funding is received on a pro rata basis over the twelve-month period and is adjusted for changes in full-time equivalent student population. After review and verification of FTE reports and supporting documentation, the Florida Department of Education may adjust subsequent fiscal period allocations of FTE funding for prior year's errors disclosed by its review as well as to prevent the statewide allocation from exceeding the amount authorized by the State Legislature. Normally, such adjustments are reported in the year the adjustments are made.

M. Use of Estimates

The preparation of financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectability of receivables, and the useful lives and impairment of tangible assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statement in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

NOTE 3 - DEFINED CONTRIBUTION PLAN

The School contributes to a defined contribution plan, created in accordance with Internal Revenue Code Section 401(k). The plan covers full-time employees of the School. Under the plan, the School provides a match of 100% up to 4% of employee salary.

The plan's assets are administered by Mass Mutual Financial Group. The School does not exercise any control or fiduciary responsibility over the plan's assets. The School contributed approximately \$70,000 and \$59,000 to the Plan during the fiscal years ended June 30, 2020 and 2019, respectively.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

<u>Governmental activities</u>	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Capital assets being depreciated:				
Compter software	\$ 15,382	\$ -	\$ (11,622)	\$ 3,760
Buildings and Improvements	187,022	30,265	(65,756)	151,531
Furniture, equipment, and textbooks	<u>2,249,732</u>	<u>30,440</u>	<u>(776,489)</u>	<u>1,503,683</u>
Total capital assets being depreciated	<u>2,452,136</u>	<u>60,705</u>	<u>(853,867)</u>	<u>1,658,974</u>
Less accumulated depreciation for:				
Furniture, equipment, and textbooks	<u>(1,631,044)</u>	<u>(281,636)</u>	<u>853,867</u>	<u>(1,058,813)</u>
Total capital assets being depreciated, net	<u>821,092</u>	<u>(220,931)</u>	<u>-</u>	<u>600,161</u>

Depreciation expense for the fiscal year ended June 30, 2020 was \$281,636 and was charged to the Instruction (\$207,350), School Administration (\$6,821), Facilities Acquisition (\$27,516), Food Services (\$1,947), and Operation of Plant (\$38,002) function/programs of the School.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Management Agreement

Academica Dade, LLC ("Academica"), an education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting and virtual education services. The agreement calls for a fee on per student basis. The agreement is with City of Hialeah Educational Aacademy for a period of three years through June 30, 2021, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2020, the School incurred approximately \$419,000 in fees.

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

Funding

The School receives funding from the District which is received from the State of Florida that is based, in part on a computation of the number of full time equivalent (FTE) students enrolled in the School. The accuracy of the data provided by the School supporting the FTE count is subject to state audit and, if found to be in error, could result in refunds or in decreases in future funding allocations.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable School.

It is the opinion of management that the amount of revenue which may be remitted back to the State due to errors in the FTE count or amount of grant expenditures which may be disallowed by granting agencies, if any, will not be material to the financial position of the School.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - RELATED PARTY TRANSACTIONS

On June 30, 2011, the School entered into a facilities lease agreement with the City which calls for an annual base rent equal to \$550 for each student enrolled in the School. The base rent is to be paid in equal monthly installments, plus payments of insurance and utilities. The lease also calls for an annual usage fee for the use of City services and park facilities payable in equal monthly installments. The usage fee increases at 3% per year. The School paid the City \$511,500 in rent and the usage fee of \$185,263 for the fiscal year ended June 30, 2020.

NOTE 7 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. There have been no claims in excess of insurance coverage limits during the past three years.

The School has contracted the services of a Professional Employer Organization which provides, at the direction of the School, human resource services, a comprehensive benefits and retirement package to all School employees. Under its co-employment agreement with the School, the Professional Employer Organization is the employer of record. As a result, the School is not exposed to medical or workers' compensation claims for these individuals. School employees can only be removed, dismissed, or transferred by the Oversight Committee.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive/(Negative)
REVENUES:				
Local sources	\$ 6,322,595	\$ 6,922,127	\$ 7,036,212	\$ 114,085
Federal through state	628,560	833,458	748,102	(85,356)
Charges for services	13,100	26,100	16,476	(9,624)
Investment earnings	30,000	30,000	18,686	(11,314)
Miscellaneous income	19,479	19,479	30,864	11,385
Total revenues	<u>7,013,734</u>	<u>7,831,164</u>	<u>7,850,340</u>	<u>19,176</u>
EXPENSES:				
Current:				
Instruction	3,348,622	3,735,889	3,733,490	2,399
Student support services	120,539	127,393	102,227	25,166
Instructional staff training services	52,000	57,246	59,400	(2,154)
Board	19,000	11,000	13,828	(2,828)
School administration	1,005,876	1,145,475	1,145,084	391
Fiscal services	139,500	139,500	139,500	-
Food services	376,072	357,539	330,421	27,118
Central services	181,500	320,500	311,020	9,480
Student transportation services	-	3,800	80	3,720
Operation of plant	1,403,686	1,434,627	1,433,173	1,454
Maintenance of plant	112,500	160,500	159,756	744
Administrative technology services	35,117	45,000	44,697	303
Capital outlay	85,000	65,000	60,705	4,295
Total expenditures	<u>6,879,412</u>	<u>7,603,469</u>	<u>7,533,381</u>	<u>70,088</u>
Change in fund balance	<u>\$ 134,322</u>	<u>\$ 227,695</u>	<u>\$ 316,959</u>	<u>\$ 89,264</u>

See notes to budgetary comparison schedule.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2020

NOTE A

The School formally adopted a budget for the fiscal year ended June 30, 2020. Budgeted amounts may be amended by resolution or ordinance by the City Council. The budget has been prepared in accordance with the accounting principles generally accepted in the United States of America. A comparison of the actual results of operations to the budgeted amounts for the School is presented as supplementary information.

NOTE B

For the fiscal year ended June 30, 2020, there were supplemental appropriations of approximately \$724,000 which were funded with additional federal and local sources received.

COMPLIANCE SECTION



**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 Honorable Mayor and City Council Members of the
City of Hialeah, Florida
City of Hialeah Educational Academy, Inc.
Hialeah, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the City of Hialeah Educational Academy, Inc. (the "School") as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 14, 2020.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 weakness or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Garcia, LLP
Miami, Florida
September 14, 2020



MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Honorable Mayor and City Council Members of the
City of Hialeah, Florida
City of Hialeah Educational Academy, Inc.
Hialeah, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Hialeah Educational Academy, Inc. (the "School"), as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated September 14, 2020.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report which is dated September 14, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and/or recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are City of Hialeah Educational Academy, Inc. and 7262, respectively.

Financial Condition and Management

Section 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 the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that the 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 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 same. Our assessment was performed as of June 30, 2020.

Financial Condition and Management (Continued)

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 the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that 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 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, City Council, School's management and the School Board of Miami-Dade County and is not intended to be and should not be used by anyone other than these specified parties.

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Garcia, LLP
Miami, Florida
September 14, 2020