

# Henderson Hammock Charter School

A Department of Florida Charter Educational  
Foundation, Inc.

(A Component Unit of the School Board of  
Hillsborough County, Florida)

Basic Financial Statements  
For the Year Ended June 30, 2019

## Henderson Hammock Charter School

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Henderson Hammock Charter School  
A Department of Florida Charter Educational Foundation, Inc.  
Hillsborough County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Henderson Hammock Charter School (the "School"), A Department of Florida Charter Educational Foundation, Inc. ("FCEF"), and a component unit of the School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2019, 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2019, and the respective changes in financial position, and budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and change in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of FCEF that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of FCEF as of June 30, 2019 and the changes in its financial position or budgetary comparisons, where applicable, for the year ended June 30, 2019 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 September 10, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 10, 2019

# MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Henderson Hammock Charter School (the "School"), a Department of Florida Charter Educational Foundation, Inc., and a component unit of the School Board of Hillsborough County, Florida, we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2019 and 2018.

Management's discussion and analysis is included at the beginning of the School's basic financial statements to provide, in layman's terms, the current position of the School's financial condition. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements.

### **Financial Highlights**

Our basic financial statements provide these insights into the results of this year's operations.

- As of June 30, 2019, the School's fund balance was \$ 2,977,730 as compared to \$ 2,567,968 at June 30, 2018.
- As of June 30, 2019, the School had a net position of \$ 1,585,690 as compared to \$ 1,281,500 at June 30, 2018.

### **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 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, liabilities, and deferred inflows/outflows of resources, with the difference 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 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, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and services rendered but unpaid).

The government-wide financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The School does not have any business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide financial statements can be found on pages 7 and 8 of this report.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School'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 for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The General Fund, Special Revenue Fund, Capital Project Fund and Debt Service Fund are considered to be the School's major funds.

The School adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 9 through 15 of this report.

**Agency Fund:** In addition, the School has one Agency Fund which is a student activity fund. This fund is formed for education and school purposes.

The Agency Fund financial statement can be found on page 16 of this report. The assets and liabilities of this fund are not included in the government-wide statement of net position.

**Notes to Basic Financial Statements:** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17 through 26 of this report.

## Government-Wide Financial Analysis

This is the School's seventh year of operations; therefore, comparative government-wide data is presented. The School's net position was \$ 1,585,690 at June 30, 2019. This amount represents net investment in capital assets (deficit) of \$(1,363,120) and unrestricted net position of \$ 2,948,810. The School's net position was \$ 1,281,500 at June 30, 2018 and of this amount \$(1,249,733) represents net investment in capital assets (deficit) and \$ 2,531,233 represents unrestricted net position.

**Henderson Hammock Charter School  
Management's Discussion and Analysis  
June 30, 2019**

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Our analysis in the table below focuses on the net position of the School's governmental activities:

Henderson Hammock Charter School Net Position		
	June 30, 2019	June 30, 2018
	<u>                    </u>	<u>                    </u>
Assets:		
Current and other assets	\$ 3,489,016	\$ 3,125,289
Capital assets, net of depreciation	10,921,530	11,148,214
	<u>                    </u>	<u>                    </u>
Total assets	14,410,546	14,273,503
	<u>                    </u>	<u>                    </u>
Liabilities:		
Current liabilities	732,976	769,872
Noncurrent liabilities	12,091,880	12,222,131
	<u>                    </u>	<u>                    </u>
Total liabilities	12,824,856	12,992,003
	<u>                    </u>	<u>                    </u>
Net Position:		
Net investment in capital assets (deficit)	(1,363,120)	(1,249,733)
Unrestricted	2,948,810	2,531,233
	<u>                    </u>	<u>                    </u>
Total net position	\$ 1,585,690	\$ 1,281,500
	<u>                    </u>	<u>                    </u>

Current and other assets increased mainly due to an increase in cash and cash equivalents as well as the amount due from the Trustee. Capital assets, net of depreciation decreased due to current year depreciation expense which was offset by capital asset purchases. Total liabilities decreased due to principal payments made on the School's capital lease payable.

**Governmental Activities:** The results of this year's operations for the School as a whole are reported in the statement of activities on page 8. The table below provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2019 and 2018:

Henderson Hammock Charter School Change in Net Position		
	June 30, 2019	June 30, 2018
	<u>                    </u>	<u>                    </u>
Revenues:		
General revenues	\$ 7,767,104	\$ 7,315,024
Program revenues	1,713,621	1,363,609
	<u>                    </u>	<u>                    </u>
Total revenues	9,480,725	8,678,633
	<u>                    </u>	<u>                    </u>
Functions/Program Expenses:		
Instruction	3,961,347	3,735,639
Instructional support services	2,384,080	2,197,006
Non-instructional services	2,831,108	2,523,548
	<u>                    </u>	<u>                    </u>
Total expenses	9,176,535	8,456,193
	<u>                    </u>	<u>                    </u>
Change in net position	\$ 304,190	\$ 222,440
	<u>                    </u>	<u>                    </u>

General revenues increased due to an increase in enrollment. Program revenues increased due to an increase in capital outlay funding. Total expenses increased as a result of the increase in enrollment.



**Governmental Fund Expenditures**

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

Functions/Programs	2019		2018	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 3,783,585	42%	\$ 3,555,456	43%
Debt service	1,177,348	13%	1,181,609	14%
General Administration - management fee	1,131,012	12%	817,214	10%
Plant operations and maintenance	749,645	8%	639,421	8%
Administrative services	542,712	6%	512,175	6%
All other functions/programs	<u>1,686,661</u>	<u>19%</u>	<u>1,571,278</u>	<u>19%</u>
Total governmental expenditures	\$ <u>9,070,963</u>	<u>100%</u>	\$ <u>8,277,153</u>	<u>100%</u>

**Capital Assets and Debt Administration**

**Capital assets:** At June 30, 2019, the School had capital assets of \$ 10,921,530 net of accumulated depreciation invested in, buildings, furniture, fixtures and equipment, computer equipment and improvements other than buildings as compared to \$ 11,148,214 at June 30, 2018.

**Debt:** At June 30, 2019, the School had outstanding debt of \$ 12,284,650, as compared to \$ 12,397,947 at June 30, 2018. Additional information on the School's debt can be found in Notes 7 and 8 on pages 22 and 23.

**General Fund Budgetary Highlights**

The School had higher enrollment than budgeted resulting in a favorable variance for Florida Education Finance Program revenues. The School did not receive budgeted School Recognition funding, which was offset by the receipt of unbudgeted Best and Brightest Funding resulting in a small unfavorable variance in other state revenues. Childcare revenues were unfavorable to budget by approximately \$138,000 which resulted in total revenues unfavorable to budget. Total expenditures were favorable to budget mainly due to savings in instruction cost. The School did not pay out the school recognition bonuses as budgeted, and also had other savings in personnel costs. Overall, the School ended the year with a change in fund balance that was favorable to budget by approximately \$387,000.

**Economic Factors and Next Year's Budget**

In fiscal year 2019, the State of Florida increased its Florida Education Finance Program funding by approximately 2% and the capital outlay funding pool increased to \$ 145 million. In addition, an allocation was given to fund safe schools and mental health initiatives. A 2% merit increase was also paid out to eligible staff.

For fiscal year 2020, capital outlay revenue was assumed at an increase of 2% of the current rate per student. The budgets reflect the Florida Education Finance Program funding increase of \$ 175 per student. A 2% merit increase for all staff was budgeted as well as safety initiatives for security resource officers. All other expenditures are budgeted in alignment with enrollment changes and the School's strategic objectives.

**Requests for Information**

If you have questions about this report or need additional information, please contact Lindsey Lennon, Controller - Schools; Charter Schools USA; 800 Corporate Drive, Suite 700; Fort Lauderdale, Florida 33334.

BASIC  
FINANCIAL STATEMENTS

**Henderson Hammock Charter School**  
**Statement of Net Position**  
**June 30, 2019**

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	<b>Governmental Activities</b>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 2,548,934
Other receivables	3,875
Due from other governments	56,297
Due from related party	4,029
Due from Trustee	716,865
Prepaid items	120,313
Deposits	<u>38,703</u>
Total current assets	3,489,016
<b>Noncurrent Assets:</b>	
Capital assets (depreciable), net of accumulated depreciation	<u>10,921,530</u>
Total assets	<u>14,410,546</u>
<b>Current Liabilities:</b>	
Accounts payable and accrued liabilities	115,226
Salaries and wages payable	295,042
Due to management company	101,018
Compensated absences	21,690
Capital lease	<u>200,000</u>
Total current liabilities	<u>732,976</u>
<b>Noncurrent Liabilities:</b>	
Compensated absences	7,230
Capital lease	<u>12,084,650</u>
Total noncurrent liabilities	<u>12,091,880</u>
Total liabilities	<u>12,824,856</u>
<b>Commitments (Note 11)</b>	-
<b>Net Position:</b>	
Net investment in capital assets (deficit)	(1,363,120)
Unrestricted	<u>2,948,810</u>
Total net position	<u>\$ 1,585,690</u>

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

**Henderson Hammock Charter School  
Statement of Activities  
For the Year Ended June 30, 2019**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Activities Net Revenue (Expense) and Change in Net Position</u>
<b>Functions/Programs:</b>					
Instruction	\$ 3,961,347	\$ -	\$ 256,906	\$ -	\$ (3,704,441)
Instruction support services	342,175	-	50,473	-	(291,702)
Board services	33,791	-	-	-	(33,791)
General administration - District administrative fee	84,672	-	-	-	(84,672)
General administration - management fee	1,131,012	-	-	-	(1,131,012)
Administrative services	542,712	-	2,732	-	(539,980)
Facilities rent	356,083	-	-	-	(356,083)
Fiscal services	4,116	-	-	-	(4,116)
Food services	396,187	44,383	359,219	-	7,415
Central services	10,430	-	-	-	(10,430)
Transportation services	107,726	-	16,256	-	(91,470)
Operation of plant	828,648	-	38,839	-	(789,809)
Maintenance of plant	206,736	-	-	-	(206,736)
Community services - childcare or VPK, salaries, benefits, materials and supplies, etc.	106,849	249,940	-	-	143,091
Interest on long-term debt	<u>1,064,051</u>	<u>-</u>	<u>-</u>	<u>694,873</u>	<u>(369,178)</u>
 Total governmental activities	 <u>\$ 9,176,535</u>	 <u>\$ 294,323</u>	 <u>\$ 724,425</u>	 <u>\$ 694,873</u>	 <u>(7,462,914)</u>
 General revenues:					
Grants and entitlements					7,727,389
Interest income					39,274
Other income					<u>441</u>
 Total general revenues					<u>7,767,104</u>
 Change in net position					304,190
 Net position, June 30, 2018					<u>1,281,500</u>
 Net position, June 30, 2019					<u>\$ 1,585,690</u>

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

**Henderson Hammock Charter School  
Balance Sheet - Governmental Funds  
June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 2,548,934	\$ -	\$ -	\$ -	\$ 2,548,934
Other receivables	3,875	-	-	-	3,875
Due from other governments	-	56,297	-	-	56,297
Due from related party	4,029	-	-	-	4,029
Due from Trustee	716,865	-	-	-	716,865
Due from other funds	56,297	-	-	-	56,297
Prepaid items	120,313	-	-	-	120,313
Deposits	38,703	-	-	-	38,703
	<u>3,489,016</u>	<u>56,297</u>	<u>-</u>	<u>-</u>	<u>3,545,313</u>
Total assets	<u>\$ 3,489,016</u>	<u>\$ 56,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,545,313</u>
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 115,226	\$ -	\$ -	\$ -	\$ 115,226
Salaries and wages payable	295,042	-	-	-	295,042
Due to management company	101,018	-	-	-	101,018
Due to other funds	-	56,297	-	-	56,297
	<u>511,286</u>	<u>56,297</u>	<u>-</u>	<u>-</u>	<u>567,583</u>
Total liabilities	<u>511,286</u>	<u>56,297</u>	<u>-</u>	<u>-</u>	<u>567,583</u>
<b>Commitments (Note 11)</b>	-	-	-	-	-
<b>Fund Balances:</b>					
Nonspendable:					
Prepaid items	120,313	-	-	-	120,313
Deposits	38,703	-	-	-	38,703
Unassigned	2,818,714	-	-	-	2,818,714
	<u>2,977,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,977,730</u>
Total fund balances	<u>2,977,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,977,730</u>
Total liabilities and fund balances	<u>\$ 3,489,016</u>	<u>\$ 56,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,545,313</u>

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

**Henderson Hammock Charter School  
 Reconciliation of the Balance Sheet of the Governmental Funds  
 to the Statement of Net Position  
 June 30, 2019**

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**Total Fund Balances - Governmental Funds** \$ 2,977,730

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

The cost of capital assets acquired is reported as an expenditure in the governmental funds. The statement of net position includes those capital assets, net of accumulated depreciation, among the assets of the School as a whole.

Cost of capital assets	\$	13,815,003		
Accumulated depreciation		<u>(2,893,473)</u>		10,921,530

Liabilities not payable with current available resources are not reported as fund liabilities in the governmental fund statements. All liabilities both current and long-term, are reported in the government-wide statements.

Compensated absences	\$	(28,920)		
Capital lease		<u>(12,284,650)</u>		<u>(12,313,570)</u>

**Net Position of Governmental Activities** \$ 1,585,690

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

**Henderson Hammock Charter School  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2019**

	<u>Account</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Revenues:</b>			
Federal through state and local	3200	\$ -	\$ 609,022
State sources:			
Florida Education Finance Program	3310	7,727,389	-
State capital outlay and debt service	3320	-	-
Other state revenue	3330	72,791	-
National School Lunch Program	3370	-	3,773
Food service revenue	3450	44,383	-
Childcare revenue	3470	249,940	-
Miscellaneous local source revenue	3490	78,554	-
		<u>8,173,057</u>	<u>612,795</u>
Total revenues			
<b>Expenditures:</b>			
Instruction	5000	3,626,206	157,379
Instruction support services	6000	291,702	50,473
Board services	7100	33,791	-
General administration - District administrative fee	7200.30	84,672	-
General administration - management fee	7200.31	1,131,012	-
Administrative services	7300	539,980	2,732
Facilities acquisition and construction	7400	203,463	41,169
Facilities acquisition and construction - facilities rent	7400.36	356,083	-
Fiscal services	7500	4,116	-
Food services	7600	36,968	359,219
Central services	7700	10,430	-
Transportation services	7800	107,726	-
Operation of plant	7900	542,909	-
Maintenance of plant	8100	206,736	-
Community services - childcare or VPK salaries benefits, materials and supplies, etc.	9100	106,849	-
Debt service:			
Principal	9200	-	-
Interest	9200	-	-
		<u>7,282,643</u>	<u>610,972</u>
Total expenditures			
Excess (deficiency) in revenues over expenditures		<u>890,414</u>	<u>1,823</u>
<b>Other Financing Sources (Uses):</b>			
Transfer in	3640	1,823	-
Transfer out	9700	(482,475)	(1,823)
		<u>(480,652)</u>	<u>(1,823)</u>
Total other financing sources (uses)			
Net change in fund balances		409,762	-
<b>Fund Balances, June 30, 2018</b>		<u>2,567,968</u>	<u>-</u>
<b>Fund Balances, June 30, 2019</b>		<u>\$ 2,977,730</u>	<u>\$ -</u>

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

<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ -	\$ -	\$ 609,022
-	-	7,727,389
694,873	-	694,873
-	-	72,791
-	-	3,773
-	-	44,383
-	-	249,940
-	-	78,554
<u>694,873</u>	<u>-</u>	<u>9,480,725</u>
-	-	3,783,585
-	-	342,175
-	-	33,791
-	-	84,672
-	-	1,131,012
-	-	542,712
-	-	244,632
-	-	356,083
-	-	4,116
-	-	396,187
-	-	10,430
-	-	107,726
-	-	542,909
-	-	206,736
-	-	106,849
-	185,000	185,000
<u>694,873</u>	<u>297,475</u>	<u>992,348</u>
<u>694,873</u>	<u>482,475</u>	<u>9,070,963</u>
<u>-</u>	<u>(482,475)</u>	<u>409,762</u>
-	482,475	484,298
<u>-</u>	<u>-</u>	<u>(484,298)</u>
<u>-</u>	<u>482,475</u>	<u>-</u>
-	-	409,762
<u>-</u>	<u>-</u>	<u>2,567,968</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,977,730</u>

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



**Henderson Hammock Charter School  
 Reconciliation of the Statement of Revenues,  
 Expenditures and Changes in Fund Balances of the  
 Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2019**

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**Net Change in Fund Balances - Governmental Fund** \$ 409,762

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as a provision for depreciation.

Cost of capital assets	\$ 244,632	
Provision for depreciation	<u>(471,316)</u>	(226,684)

Principal payments on long-term debt are reported as expenditures in governmental funds, but as a reduction of long-term liabilities in the statement of net position. 185,000

Certain items reported in the statements of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences	\$ 7,815	
Provision for amortization of costs associated with capital lease	<u>(71,703)</u>	<u>(63,888)</u>

**Change in Net Position of Governmental Activities** \$ 304,190

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

**Henderson Hammock Charter School  
Statement of Revenues and Expenditures -  
Budget and Actual - General Fund  
For the Year Ended June 30, 2019**

	<u>Account</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
State sources:				
Florida Education Finance Program	3310	\$ 7,646,276	\$ 7,727,389	\$ 81,113
Other state revenue	3330	111,883	72,791	(39,092)
Food service revenue	3450	27,566	44,383	16,817
Childcare revenue	3470	388,843	249,940	(138,903)
Miscellaneous local source revenue	3490	<u>62,863</u>	<u>78,554</u>	<u>15,691</u>
Total revenues		<u>8,237,431</u>	<u>8,173,057</u>	<u>(64,374)</u>
<b>Expenditures:</b>				
Instruction	5000	3,762,547	3,626,206	136,341
Instruction support services	6000	345,719	291,702	54,017
Board services	7100	22,137	33,791	(11,654)
General administration - District administrative fee	7200.30	83,988	84,672	(684)
General administration - management fee	7200.31	1,131,015	1,131,012	3
Administrative services	7300	528,133	539,980	(11,847)
Facilities acquisition and construction	7400	235,430	203,463	31,967
Facilities acquisition and construction - facilities rent	7400.36	356,083	356,083	-
Fiscal services	7500	8,263	4,116	4,147
Food services	7600	29,656	36,968	(7,312)
Central services	7700	17,040	10,430	6,610
Transportation services	7800	110,467	107,726	2,741
Operation of plant	7900	628,489	542,909	85,580
Maintenance of plant	8100	220,729	206,736	13,993
Community services - childcare or VPK salaries, benefits, materials and supplies, etc.	9100	<u>203,399</u>	<u>106,849</u>	<u>96,550</u>
Total expenditures		<u>7,683,095</u>	<u>7,282,643</u>	<u>400,452</u>
Excess (deficiency) in revenues over expenditures		<u>554,336</u>	<u>890,414</u>	<u>336,078</u>
<b>Other Financing Uses:</b>				
Transfer in	3640	-	1,823	1,823
Transfer out	9700	<u>(531,590)</u>	<u>(482,475)</u>	<u>49,115</u>
Total other financing sources (uses)		<u>(531,590)</u>	<u>(480,652)</u>	<u>50,938</u>
Net change in fund balance		<u>\$ 22,746</u>	<u>\$ 409,762</u>	<u>\$ 387,016</u>

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

**Henderson Hammock Charter School  
Statement of Revenues and Expenditures -  
Budget and Actual - Special Revenue Fund  
For the Year Ended June 30, 2019**

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	<u>Account</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Federal sources:				
National School Lunch Program	3260	\$ 332,019	\$ 354,946	\$ 22,927
Title I	3240	200,239	252,253	52,014
Emergency Impact Aid	3299	-	1,823	1,823
State sources:				
National School Lunch Program	3260	-	3,773	3,773
		<u>532,258</u>	<u>612,795</u>	<u>80,537</u>
Total revenues				
<b>Expenditures:</b>				
Instruction	5000	156,090	157,379	(1,289)
Instruction support services	6000	43,250	50,473	(7,223)
Administrative services	7300	899	2,732	(1,833)
Capital outlay	7400	-	41,169	(41,169)
Food services	7600	332,019	359,219	(27,200)
		<u>532,258</u>	<u>610,972</u>	<u>(78,714)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures		-	1,823	1,823
<b>Other Financing Sources (Uses):</b>				
Transfer out	9700	-	(1,823)	(1,823)
		<u>-</u>	<u>(1,823)</u>	<u>(1,823)</u>
Net change in fund balance		\$ -	\$ -	\$ -

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

Henderson Hammock Charter School  
Statement of Assets and Liabilities - Agency Fund  
June 30, 2019

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	<u>Student Activities</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>189,567</u>
Total assets	\$ <u><u>189,567</u></u>
<b>Liabilities:</b>	
Due to students	\$ <u>189,567</u>
Total liabilities	\$ <u><u>189,567</u></u>

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

**Note 1 - Organization and Operations**

Henderson Hammock Charter School (the "School"), a Department of Florida Charter Educational Foundation, Inc., and a component unit of the School Board of Hillsborough County, Florida, was established in 2011 as a public charter school to serve students from kindergarten to eighth grade in Hillsborough County. There were 1,141 students enrolled for the 2018/2019 school year. The Florida Charter Educational Foundation, Inc. ("FCEF") is a Florida nonprofit corporation organized pursuant to Chapter 617, Florida Statutes. The governing body of the School consists of the officers and directors of FCEF. FCEF operates Winthrop Charter School, Woodmont Charter School, SouthShore Charter Academy, Waterset Charter School, and Creekside Charter Academy in Hillsborough County, Clay Charter Academy in Clay County, Keys Gate Charter School in Miami-Dade County, and Union Park Charter Academy in Pasco County.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of FCEF as of June 30, 2019, and the changes in its financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Note 2 - Summary of Significant Accounting Policies**

**Reporting entity:** The School operates under a charter granted by the sponsoring School Board of Hillsborough County (the "School Board"). The current charter is effective until June 30, 2022, and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the Board may choose not to renew the charter under grounds specified in the charter in which case the Board is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the Board may also terminate the charter if good cause is shown. The School is considered a component unit of the School Board of Hillsborough County.

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 a 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 financial statements.

**Basis of presentation:** Based on the guidance presented in the American Institute of Certified Public Accountants Audit and Accounting Guide - Not-for-Profit Organizations and provisions of Section 228.056, Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

**Government-wide financial statements:** Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities.

Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

**Note 2 - Summary of Significant Accounting Policies (continued)**

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

**Fund financial statements:** Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

**General Fund** - This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

**Special Revenue Fund** - This fund is used to account for federal grants and certain state grants that are legally restricted to expenditures for particular purposes.

**Capital Project Fund** - This fund is used to account for state and local capital outlay funding that is legally restricted to expenditures for particular purposes.

**Debt Service Fund** - This fund is used to account for the accumulation of resources for, and the payment of, principal and interest on long-term obligations of governmental funds.

Additionally, the School reports separately the following fiduciary fund type:

**Agency Fund** - This fund is used to administer funds raised and earned by the various clubs and activities that are part of the School.

**Basis of accounting:** Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues are recognized when they become 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 pay liabilities of the current period. The School considers revenues to be available if they are collected within sixty days of the end of the current period.

Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**Note 2 - Summary of Significant Accounting Policies (continued)**

The Agency Fund has no measurement focus but utilizes the accrual basis of accounting for reporting.

**Cash and cash equivalents:** The School considers all demand accounts and money market funds which are not subject to withdrawal restrictions to be cash and cash equivalents. The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk (Note 3).

**Prepaid items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Due to and due from other funds:** Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund good and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

**Revenue recognition:** Student funding is provided by the State of Florida through the School Board. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements. This funding is received on a prorata basis over the ten month period the School is in session and is adjusted for changes in full-time equivalent (FTE) student population.

**Income taxes:** The School is a division of a nonprofit corporation. Revenue of the School is derived primarily from other governmental entities. The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these basic financial statements.

**Capital assets:** Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with an initial cost of \$ 750 and useful life of over one year. Donated capital assets are reported at acquisition 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 fixed assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building	45 years
Furniture, fixtures and equipment	5 years
Computer equipment	3 years
Improvements other than buildings	10 years

**Deferred outflows/inflows of resources:** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

## Note 2 - Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

**Unearned revenue:** Unearned revenue arises when the School receives resources before it has a legal claim to them.

**Compensated absences:** The School's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences are generally paid out of the General Fund.

**Net position:** Net position is classified in three categories. The general meaning of each is as follows:

- Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.
- Restricted - consists of net position with constraints placed on their 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.
- Unrestricted - includes that portion of net position that is available to fund future operations.

**Fund balance:** The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

- Nonspendable - this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted - this classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.
- Committed - this classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.



**Note 2 - Summary of Significant Accounting Policies (continued)**

- Assigned - this classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.
- Unassigned - this classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Funds Balance Sheet on page 9.

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

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

**Budget:** An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements.

**Date of management review:** Subsequent events were evaluated by management through September 10, 2019, which is the date the financial statements were available to be issued.

**Note 3 - Cash and Cash Equivalents**

At June 30, 2019, the carrying amount of the deposits and cash on hand totaled \$ 2,738,501, with a bank balance of \$ 2,809,672.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as "qualified public depositories" as defined by Chapter 280 of the Florida Statutes. This Statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and the reporting requirements of the qualified public depositor to the Treasurer is defined by statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise.

The School's deposits are held in a qualified public depository and are covered by the collateral pool because the School has identified itself as a public entity.

**Note 4 - Due From Trustee**

Due from Trustee at June 30, 2019 consists of \$ 716,865 relating to FTE funds and accrued interest that has yet to be transferred to the School.

**Henderson Hammock Charter School  
Notes to Basic Financial Statements  
June 30, 2019**

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**Note 5 - Due From Related Party**

The School is a Department of The Florida Charter Educational Foundation, Inc. ("FCEF"). As of June 30, 2019, FCEF owes the School \$ 4,029 for board of directors' expenses that were prepaid by the School.

**Note 6 - Capital Assets**

Capital asset balances and activity for the year ended June 30, 2019 are as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Capital assets, depreciable:				
Buildings	\$ 11,809,986	\$ -	\$ -	\$ 11,809,986
Furniture, fixtures and equipment	617,851	46,776	-	664,627
Computer equipment	926,962	176,102	-	1,103,064
Improvements other than buildings	<u>215,572</u>	<u>21,754</u>	<u>-</u>	<u>237,326</u>
Total capital assets, depreciable	<u>13,570,371</u>	<u>244,632</u>	<u>-</u>	<u>13,815,003</u>
Accumulated depreciation:				
Buildings	1,049,776	262,444	-	1,312,220
Furniture, fixtures and equipment	532,910	43,639	-	576,549
Computer equipment	778,494	141,938	-	920,432
Improvements other than buildings	<u>60,977</u>	<u>23,295</u>	<u>-</u>	<u>84,272</u>
Total accumulated depreciation	<u>2,422,157</u>	<u>471,316</u>	<u>-</u>	<u>2,893,473</u>
Net capital assets	<u>\$ 11,148,214</u>	<u>\$ (226,684)</u>	<u>\$ -</u>	<u>\$ 10,921,530</u>

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$ 185,577
Operation of plant	<u>285,739</u>
	<u>\$ 471,316</u>

**Note 7 - Capital Lease**

The School previously entered into a capital lease arrangement with Red Apple at Henderson Hammock, LLC for use of its facility and equipment. The lease arrangement was entered into as part of a transaction consisting of a bond issuance by FCEF and Red Apple Development, Inc. (Note 11). The lease is through July 2059 and requires monthly principal and interest payments through June 2044. As of June 30, 2019, the net book value of the leased facility and equipment is approximately \$ 10,497,800. Amortization of the leased facility and equipment is included with depreciation expense.

**Henderson Hammock Charter School  
Notes to Basic Financial Statements  
June 30, 2019**

**Note 7 - Capital Lease (continued)**

Future minimum payments at June 30, 2019 are approximately as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 200,000	\$ 977,270	\$ 1,177,270
2021	220,000	960,970	1,180,970
2022	235,000	943,040	1,178,040
2023	250,000	928,705	1,178,705
2024	265,000	913,455	1,178,455
2025-2029	1,610,000	4,280,608	5,890,608
2030-2034	2,250,000	3,647,325	5,897,325
2035-2039	3,145,000	2,742,840	5,887,840
2040-2044	4,463,125	1,433,160	5,896,285
	<u>\$ 12,638,125</u>	<u>\$ 16,827,373</u>	<u>\$ 29,465,498</u>

**Note 8 - Long-Term Liabilities**

Changes in long-term liabilities during the fiscal year ended June 30, 2019, are as follows:

	Balance at July 1, 2018	Additions	Retirements	Amortization	Balance at June 30, 2019	Amount Due Within One Year
Capital lease obligation net of unamortized costs of \$ 353,475	\$ 12,397,947	\$ -	\$ 185,000	\$ 71,703	\$ 12,284,650	\$ 200,000
Compensated absences	36,735	13,071	20,886	-	28,920	21,690
	<u>\$ 12,434,682</u>	<u>\$ 13,071</u>	<u>\$ 205,886</u>	<u>\$ 71,703</u>	<u>\$ 12,313,570</u>	<u>\$ 221,690</u>

**Note 9 - Federal, State and Local Revenue Sources**

The School recorded the following revenues for the year ended June 30, 2019:

Federal:	
National School Lunch Program	\$ 354,946
Title I	252,253
Emergency Impact Aid	1,823
State:	
Florida Education Finance Program	7,727,389
Capital outlay	694,873
Other state revenue	72,791
National School Lunch Program	3,773
Local:	
Food service revenue	44,383
Childcare revenue	249,940
Miscellaneous local source revenue	78,554
	<u>\$ 9,480,725</u>

**Note 10 - Employee Benefit Plan**

During the year ended June 30, 2019, the School offered all of its full-time employees who had attained 21 years of age, a retirement plan (the "Plan") under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of his/her annual gross compensation, subject to certain limitations. The Plan provides for a discretionary employer matching contribution of the participant's annual elective deferral to the Plan. As determined annually by the School's management, the School may also make a discretionary profit sharing contribution, which is allocated among the participants based on a pro rata formula. Participants are immediately vested in their own contributions and earnings on those contributions. Participants become vested in School contributions and earnings on School contributions according to the following schedule:

<u>Years of Service</u>	<u>Vesting Percentage</u>
1	25%
2	50%
3	75%
4	100%

Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to reduce any employer contribution. For the year ended June 30, 2019, the School contributed a matching amount of \$ 15,913.

**Note 11 - Commitments**

**Management agreement:** The School has a formal agreement with Charter Schools USA at Henderson Hammock, LLC ("CSUSA") to manage, staff, and operate the School. The agreement was amended and restated on July 1, 2014. The initial term was equal to the greater of five years or the term of the charter, provided however, that the initial term does not exceed fifteen years from the commencement date. The agreement automatically renews for additional five year periods on the day following the expiration date unless either party delivers a written notice of termination to the other at least twelve months prior to the then current expiration date. The current term is through June 30, 2022. For the year ended June 30, 2019, the amount of compensation received by CSUSA was \$ 1,131,012.

CSUSA shall be entitled to retain as compensation for its services rendered pursuant to this agreement cost reimbursements and fees (the "fee") which range from \$ 752,945 for 2020 to \$ 1,530,583 for 2044 or budgeted amount approved by the Board of Directors based on enrollment. The fee schedule is based on a percentage of revenues from projections completed as part of the bond financing transaction (Note 7). The fee as calculated in the schedule would not exceed 15% of revenues in any fiscal year. The fee for the year ended June 30, 2019 was approximately 12% of total revenues.

The basic financial statements reflect a due to CSUSA which totaled \$ 101,018 at June 30, 2019 for expenses paid on behalf of the School.

**Capital lease agreement:** In July 2014, the Florida Development Finance Corporation (the "Corporation") issued \$ 13,400,000 in Tax Exempt Educational Facilities Revenue Bonds, Series 2014A and \$ 1,230,000 in Taxable Educational Facilities Revenue Bonds, Series 2014B pursuant to an Indenture of Trust between the Corporation and a trustee to make a loan to FCEF, a division of which the School exists, and Red Apple Development, LLC and subsidiaries ("RAD") to finance the acquisition of the facilities of the School. In order to secure the payment of the principal and interest on the bonds, the Corporation assigned all of its rights and interest in the loan agreement to the trustee. The bonds are payable from and secured by a lien upon and pledge of payments to be received by the trustee.

#### Note 11 - Commitments (continued)

Concurrent with the preceding loan transaction, RAD, through its wholly-owned subsidiaries, entered into a lease agreement with FCEF. The facilities which are owned by RAD are leased by FCEF on behalf of the School under a 45-year lease (Note 7). The lease is deemed to be a capital lease and the capital lease payments are based on the debt service requirements of the bonds which extend through June 2044. These payments are made from the revenues received from the School Board of Hillsborough County for the operation of the School. FCEF is obligated under the Indenture to deposit all Charter revenues received from the School Board and additional revenues, if any, directly with the trustee during the term of the lease. The payments are applied by the trustee to make sinking fund payments and pay for operating expenses.

In addition to the capital lease payments noted in Note 7, the School is required to pay incremental rent payments to RAD. The incremental rent payments range from approximately \$ 17,700 to \$ 35,950 per month over the term of the agreement which is through June 2044. For the year ended June 30, 2019, the School paid incremental rent to RAD in the amount of \$ 206,047.

**Reimbursement agreement:** The School entered into an agreement with Red Apple at Henderson, LLC to reimburse additional financing incurred to complete the construction of the facility the School leases from Red Apple Development, Inc. (Note 7). For the year ending June 30, 2019, the School paid \$ 150,036 under this agreement. Monthly payments are \$ 12,503 through January 2020, at which time a final payment of \$ 376,978 is due unless refinanced.

**Post-retirement benefits:** The School does not provide post-retirement benefits to retired employees.

#### Note 12 - Capital Appropriations Funding

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes those funds are allocated among eligible charter schools. The funds for the School's allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring Board. The School's CSCO Award totaled \$ 694,873 for the 2018/2019 school year which has been recognized as revenue in the accompanying financial statements. If the CSCO funds are used to acquire tangible property assets, the School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School Board. The School has elected to use these funds to pay the interest expense on the capital lease.

#### Note 13 - Florida Education Finance Program (FEFP) Funding

The basic amount of funding through the FEFP under Section 1011.62 is the product of (1) the School's unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the 2018/2019 school year, the School reported 1141.41 unweighted FTE. Weighted funding represented approximately 3% of total state funding.

**Note 13 - Florida Education Finance Program (FEFP) Funding (continued)**

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC)
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC)
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC)
- Evaluation and planning documents for weighted programs (Sections 1011.62(1)(e), FS, and Rule 6A-6.03411, FAC).

**Note 14 - Risk Management**

The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies including, but not limited to, general liability and errors and omissions insurance. There have been no claims in excess of insurance coverage limits during the past three years. As disclosed in Note 11, CSUSA employs all of the employees of the School. As a result, the School is not exposed to medical or workers' compensation claims for these individuals.

OTHER INDEPENDENT  
AUDITOR'S REPORTS

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  
Henderson Hammock Charter School  
A Department of Florida Charter Educational Foundation, Inc.  
Hillsborough County, 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, each major fund, and the aggregate remaining fund information of Henderson Hammock Charter School (the "School"), A Department of Florida Charter Educational Foundation, Inc., and a component unit of the School Board of Hillsborough County, Florida, 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, and have issued our report thereon dated September 10, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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



### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 10, 2019

## INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors  
Henderson Hammock Charter School  
A Department of Florida Charter Educational Foundation, Inc.  
Hillsborough County, Florida

### Report on the Financial Statements

We have audited the financial statements of Henderson Hammock Charter School (the "School"), a Department of Florida Charter Educational Foundation, Inc., and a component unit of the School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2019, and have issued our report thereon dated September 10, 2019.

### Auditor's Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditor's 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 10, 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. There were no recommendations made in the preceding 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 are Henderson Hammock Charter School and 296662.

### **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 the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to 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.

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 website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website 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, 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 10, 2019