

# 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, 2020

**Keefe  
McCullough**  
CPA's + Trusted Advisors

# 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, 2020, 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, 2020, 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, 2020 and the changes in its financial position or budgetary comparisons, where applicable, for the year ended June 30, 2020 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 7 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 22, 2020 (except for Note 16, as to which the date is October 27, 2020), 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 22, 2020  
(except for Note 16, as to which the date is October 27, 2020)



# MANAGEMENT'S DISCUSSION AND ANALYSIS

**Keefe  
McCullough**  
CPA's + Trusted Advisors



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, 2020 and 2019.

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, 2020, the School's fund balance was \$ 2,911,602 as compared to \$ 2,977,730 at June 30, 2019.
- As of June 30, 2020, the School had a net position of \$ 1,464,119 as compared to \$ 1,585,690 at June 30, 2019.

### **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 8 and 9 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 10 through 16 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 17 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 18 through 27 of this report.

## Government-Wide Financial Analysis

This is the School's eighth year of operations; therefore, comparative government-wide data is presented. The School's net position was \$ 1,464,119 at June 30, 2020. This amount represents net investment in capital assets (deficit) of \$(1,400,707) and unrestricted net position of \$ 2,864,826. The School's net position was \$ 1,585,690 at June 30, 2019 and of this amount \$(1,363,120) represents net investment in capital assets (deficit) and \$ 2,948,810 represents unrestricted net position.

**Henderson Hammock Charter School  
Management's Discussion and Analysis  
June 30, 2020**

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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, 2020	June 30, 2019
	<u>                    </u>	<u>                    </u>
Assets:		
Current and other assets	\$ 3,483,328	\$ 3,489,016
Capital assets, net of depreciation	<u>10,755,645</u>	<u>10,921,530</u>
Total assets	<u>14,238,973</u>	<u>14,410,546</u>
Liabilities:		
Current liabilities	826,418	732,976
Noncurrent liabilities	<u>11,948,436</u>	<u>12,091,880</u>
Total liabilities	<u>12,774,854</u>	<u>12,824,856</u>
Net Position:		
Net investment in capital assets (deficit)	(1,400,707)	(1,363,120)
Unrestricted	<u>2,864,826</u>	<u>2,948,810</u>
Total net position	<u>\$ 1,464,119</u>	<u>\$ 1,585,690</u>

Current and other assets remained consistent with the prior year due to an increase in cash and cash equivalents that was offset by a decrease to receivables and prepaids. Capital assets, net of depreciation decreased due to current year depreciation expense which was offset by capital asset purchases. Total liabilities decreased mainly due to principal payments made on the School's capital lease payable which was partially offset by increases to wages payable and accounts 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 9. The table below provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2020 and 2019:

Henderson Hammock Charter School Change in Net Position		
	June 30, 2020	June 30, 2019
	<u>                    </u>	<u>                    </u>
Revenues:		
General revenues	\$ 7,739,499	\$ 7,767,104
Program revenues	<u>1,686,915</u>	<u>1,713,621</u>
Total revenues	<u>9,426,414</u>	<u>9,480,725</u>
Functions/Program Expenses:		
Instruction	4,253,673	3,961,347
Instructional support services	2,340,045	2,384,080
Non-instructional services	<u>2,954,267</u>	<u>2,831,108</u>
Total expenses	<u>9,547,985</u>	<u>9,176,535</u>
Change in net position	<u>\$ (121,571)</u>	<u>\$ 304,190</u>



**Henderson Hammock Charter School  
Management's Discussion and Analysis  
June 30, 2020**

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General revenues decreased due to a decrease in enrollment of approximately 25 students. Program revenues decreased due to a decrease in capital outlay funding. Instruction expenses increased mainly due to higher bonuses paid out, funded by School Recognition and Best & Brightest revenues. Instructional support services remained in line with the prior year; and non-instructional services increased mainly due to higher management fees.

**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	2020		2019	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 4,048,062	43%	\$ 3,783,585	42%
Debt service	1,177,270	12%	1,177,348	13%
General Administration - management fee	1,291,945	14%	1,131,012	12%
Plant operations and maintenance	758,817	8%	749,645	8%
Instruction support services	493,068	5%	342,175	4%
All other functions/programs	<u>1,721,820</u>	<u>18%</u>	<u>1,887,198</u>	<u>21%</u>
Total governmental expenditures	\$ <u>9,490,982</u>	<u>100%</u>	\$ <u>9,070,963</u>	<u>100%</u>

**Capital Assets and Debt Administration**

**Capital assets:** At June 30, 2020, the School had capital assets of \$ 10,755,645 net of accumulated depreciation invested in, buildings, furniture, fixtures and equipment, computer equipment and improvements other than buildings as compared to \$ 10,921,530 at June 30, 2019.

**Debt:** At June 30, 2020, the School had outstanding debt of \$ 12,156,352, as compared to \$ 12,284,650 at June 30, 2019. Additional information on the School's debt can be found in Notes 7 and 8 on pages 23 and 24.

**General Fund Budgetary Highlights**

The School had lower enrollment than budgeted resulting in an unfavorable variance for Florida Education Finance Program revenues. The School received unbudgeted Best and Brightest funding which resulted in a favorable variance in other state revenues. However, childcare revenues were unfavorable to the budget as well, which resulted in total revenues that were unfavorable to the budget. Total expenditures were unfavorable to the budget mainly due to under-budgeted facility rent expense. The School had unfavorable variances in instruction related costs, but these were offset by favorable variances in administrative services. Overall, the School ended the year with a change in fund balance that was unfavorable to the budget by approximately \$ 411,000.

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

In fiscal year 2020, the State of Florida increased its Florida Education Finance Program base funding, safe schools and mental health initiative allocations. The capital outlay funding pool increased to \$ 158 million. A 2% merit increase was also paid out to eligible staff.

For fiscal year 2021, capital outlay revenue was assumed at a flat rate in comparison to the current rate per student. The budgets reflect the Florida Education Finance Program funding increase to fund teacher salary increases. A 2% merit increase for all staff was also budgeted. 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 Maria Garzon, Controller - Schools; Charter Schools USA; 800 Corporate Drive, Suite 700; Fort Lauderdale, Florida 33334.

# BASIC FINANCIAL STATEMENTS

**Keefe  
McCullough**  
CPA's + Trusted Advisors

**Henderson Hammock Charter School**  
**Statement of Net Position**  
**June 30, 2020**

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	<b>Governmental Activities</b>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 2,673,847
Other receivables	3,955
Due from other governments	1,560
Due from related party	6,336
Due from Trustee	667,091
Prepaid items	83,879
Deposits	<u>46,660</u>
Total current assets	3,483,328
<b>Noncurrent Assets:</b>	
Capital assets (depreciable), net of accumulated depreciation	<u>10,755,645</u>
Total assets	<u>14,238,973</u>
<b>Current Liabilities:</b>	
Accounts payable and accrued liabilities	164,898
Salaries and wages payable	343,762
Due to management company	61,506
Compensated absences	36,252
Capital lease	<u>220,000</u>
Total current liabilities	<u>826,418</u>
<b>Noncurrent Liabilities:</b>	
Compensated absences	12,084
Capital lease	<u>11,936,352</u>
Total noncurrent liabilities	<u>11,948,436</u>
Total liabilities	<u>12,774,854</u>
<b>Commitments (Note 11)</b>	-
<b>Net Position:</b>	
Net investment in capital assets (deficit)	(1,400,707)
Unrestricted	<u>2,864,826</u>
Total net position	<u>\$ 1,464,119</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, 2020**

	<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	\$ 4,253,673	\$ -	\$ 523,269	\$ -	\$ (3,730,404)
Instruction support services	493,068	-	20,533	-	(472,535)
Board services	21,181	-	-	-	(21,181)
General administration - District administrative fee	85,816	-	-	-	(85,816)
General administration - management fee	1,291,945	-	-	-	(1,291,945)
Administrative services	356,305	-	38,439	-	(317,866)
Facilities rent	362,264	-	-	-	(362,264)
Fiscal services	6,157	-	-	-	(6,157)
Food services	317,556	40,223	251,688	-	(25,645)
Central services	86,375	-	-	-	(86,375)
Transportation services	83,348	-	18,254	-	(65,094)
Operation of plant	869,084	-	34,999	-	(834,085)
Maintenance of plant	175,976	-	-	-	(175,976)
Community services - childcare or VPK, salaries, benefits, materials and supplies, etc.	96,265	194,666	-	-	98,401
Interest on long-term debt	1,048,972	-	-	564,844	(484,128)
	<u>\$ 9,547,985</u>	<u>\$ 234,889</u>	<u>\$ 887,182</u>	<u>\$ 564,844</u>	<u>(7,861,070)</u>
Total governmental activities					
General revenues:					
Grants and entitlements					7,686,465
Interest income					52,818
Other income					216
					<u>7,739,499</u>
Total general revenues					<u>7,739,499</u>
Change in net position					(121,571)
Net position, July 1, 2019					<u>1,585,690</u>
Net position, June 30, 2020					<u>\$ 1,464,119</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, 2020**

	<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	\$ 2,673,847	\$ -	\$ -	\$ -	\$ 2,673,847
Other receivables	3,955	-	-	-	3,955
Due from other governments	1,560	-	-	-	1,560
Due from related party	6,336	-	-	-	6,336
Due from Trustee	667,091	-	-	-	667,091
Prepaid items	83,879	-	-	-	83,879
Deposits	46,660	-	-	-	46,660
	<u>46,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,660</u>
Total assets	<u>\$ 3,483,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,483,328</u>
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 164,898	\$ -	\$ -	\$ -	\$ 164,898
Salaries and wages payable	343,762	-	-	-	343,762
Due to management company	61,506	-	-	-	61,506
	<u>61,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,506</u>
Total liabilities	<u>570,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>570,166</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenues	1,560	-	-	-	1,560
	<u>1,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,560</u>
<b>Commitments (Note 11)</b>					
	-	-	-	-	-
<b>Fund Balances:</b>					
Nonspendable:					
Prepaid items	83,879	-	-	-	83,879
Deposits	46,660	-	-	-	46,660
Unassigned	2,781,063	-	-	-	2,781,063
	<u>2,781,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,781,063</u>
Total fund balances	<u>2,911,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,911,602</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,483,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,483,328</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, 2020**

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**Total Fund Balances - Governmental Funds** \$ 2,911,602

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	\$ 14,121,556	
Accumulated depreciation	<u>(3,365,911)</u>	10,755,645

Unavailable revenue in the governmental funds is susceptible to full accrual in the government-wide statements. 1,560

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	\$ (48,336)	
Capital lease	<u>(12,156,352)</u>	<u>(12,204,688)</u>

**Net Position of Governmental Activities** \$ 1,464,119

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, 2020**

	<u>Account</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Revenues:</b>			
Federal through state and local	3200	\$ -	\$ 588,223
State sources:			
Florida Education Finance Program	3310	7,686,465	-
State capital outlay and debt service	3320	-	-
Other state revenue	3330	258,565	-
National School Lunch Program	3370	-	3,835
Food service revenue	3450	40,223	-
Childcare revenue	3470	194,666	-
Miscellaneous local source revenue	3490	88,033	-
		<u>8,267,952</u>	<u>592,058</u>
Total revenues			
<b>Expenditures:</b>			
Instruction	5000	3,874,137	173,925
Instruction support services	6000	472,535	20,533
Board services	7100	21,181	-
General administration - District administrative fee	7200.30	85,816	-
General administration - management fee	7200.31	1,291,945	-
Administrative services	7300	317,866	38,439
Facilities acquisition and construction	7400	199,080	107,473
Facilities acquisition and construction - facilities rent	7400.36	362,264	-
Fiscal services	7500	6,157	-
Food services	7600	65,868	251,688
Central services	7700	86,375	-
Transportation services	7800	83,348	-
Operation of plant	7900	582,841	-
Maintenance of plant	8100	175,976	-
Community services - childcare or VPK salaries benefits, materials and supplies, etc.	9100	96,265	-
Debt service:			
Principal	9200	-	-
Interest	9200	-	-
		<u>7,721,654</u>	<u>592,058</u>
Total expenditures			
Excess (deficiency) in revenues over expenditures		<u>546,298</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>			
Transfer in	3640	-	-
Transfer out	9700	(612,426)	-
		<u>(612,426)</u>	<u>-</u>
Total other financing sources (uses)			
Net change in fund balances		(66,128)	-
<b>Fund Balances, July 1, 2019</b>		<u>2,977,730</u>	<u>-</u>
<b>Fund Balances, June 30, 2020</b>		<u>\$ 2,911,602</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>
\$ -	\$ -	\$ 588,223
-	-	7,686,465
564,844	-	564,844
-	-	258,565
-	-	3,835
-	-	40,223
-	-	194,666
-	-	88,033
<u>564,844</u>	<u>-</u>	<u>9,424,854</u>
-	-	4,048,062
-	-	493,068
-	-	21,181
-	-	85,816
-	-	1,291,945
-	-	356,305
-	-	306,553
-	-	362,264
-	-	6,157
-	-	317,556
-	-	86,375
-	-	83,348
-	-	582,841
-	-	175,976
-	-	96,265
-	200,000	200,000
<u>564,844</u>	<u>412,426</u>	<u>977,270</u>
<u>564,844</u>	<u>612,426</u>	<u>9,490,982</u>
<u>-</u>	<u>(612,426)</u>	<u>(66,128)</u>
-	612,426	612,426
<u>-</u>	<u>-</u>	<u>(612,426)</u>
<u>-</u>	<u>612,426</u>	<u>-</u>
-	-	(66,128)
<u>-</u>	<u>-</u>	<u>2,977,730</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,911,602</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, 2020**

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**Net Change in Fund Balances - Governmental Fund** \$ (66,128)

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	\$	306,553	
Provision for depreciation		<u>(472,438)</u>	(165,885)

Revenues that are earned but not received within the availability period are recognized in the statement of activities when earned and subsequently in the governmental fund financial statements when they become available. 1,560

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. 200,000

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	\$	(19,416)	
Provision for amortization of costs associated with capital lease		<u>(71,702)</u>	<u>(91,118)</u>

**Change in Net Position of Governmental Activities** \$ (121,571)

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, 2020**

	<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	\$ 7,939,200	\$ 7,686,465	\$ (252,735)
Other state revenue	3330	154,818	258,565	103,747
Food service revenue	3450	43,912	40,223	(3,689)
Childcare revenue	3470	248,458	194,666	(53,792)
Miscellaneous local source revenue	3490	37,228	88,033	50,805
		<u>8,423,616</u>	<u>8,267,952</u>	<u>(155,664)</u>
<b>Expenditures:</b>				
Instruction	5000	3,533,756	3,874,137	(340,381)
Instruction support services	6000	382,195	472,535	(90,340)
Board services	7100	36,225	21,181	15,044
General administration - District administrative fee	7200.30	83,049	85,816	(2,767)
General administration - management fee	7200.31	1,314,945	1,291,945	23,000
Administrative services	7300	665,045	317,866	347,179
Facilities acquisition and construction	7400	234,800	199,080	35,720
Facilities acquisition and construction - facilities rent	7400.36	212,228	362,264	(150,036)
Fiscal services	7500	4,000	6,157	(2,157)
Food services	7600	-	65,868	(65,868)
Central services	7700	9,008	86,375	(77,367)
Transportation services	7800	99,547	83,348	16,199
Operation of plant	7900	577,998	582,841	(4,843)
Maintenance of plant	8100	196,231	175,976	20,255
Community services - childcare or VPK salaries, benefits, materials and supplies, etc.	9100	195,666	96,265	99,401
		<u>7,544,693</u>	<u>7,721,654</u>	<u>(176,961)</u>
Excess (deficiency) in revenues over expenditures		878,923	546,298	(332,625)
<b>Other Financing Uses:</b>				
Transfer out	9700	(533,946)	(612,426)	(78,480)
Net change in fund balance		<u>\$ 344,977</u>	<u>\$ (66,128)</u>	<u>\$ (411,105)</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, 2020**

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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	\$ 359,582	\$ 247,853	\$ (111,729)
Title I	3240	235,200	340,370	105,170
State sources:				
National School Lunch Program	3260	-	3,835	3,835
Total revenues		<u>594,782</u>	<u>592,058</u>	<u>(2,724)</u>
<b>Expenditures:</b>				
Instruction	5000	182,979	173,925	9,054
Instruction support services	6000	30,962	20,533	10,429
Administrative services	7300	675	38,439	(37,764)
Facilities acquisition and construction	7400	20,584	107,473	(86,889)
Food services	7600	341,570	251,688	89,882
Operation of plant	7900	18,012	-	18,012
Total expenditures		<u>594,782</u>	<u>592,058</u>	<u>2,724</u>
Net change in fund balance		\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

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, 2020

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	<u>Student Activities</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>171,190</u>
Total assets	\$ <u><u>171,190</u></u>
<b>Liabilities:</b>	
Due to students	\$ <u>171,190</u>
Total liabilities	\$ <u><u>171,190</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 1,122 students enrolled for the 2019/2020 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, 2020, 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 and transfers:** 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. Transfers are used to move revenues from the fund with collection authorization to the debt service fund as principal and interest payments become due.

**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 has one item that qualifies for reporting for reporting in this category. The governmental funds report unavailable revenues that are deferred and recognized as an inflow of resources in the period that the amounts become available.

**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.

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

- 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.
- 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 22, 2020 (except for Note 16, as to which the date is October 27, 2020), which is the date the financial statements were available to be issued.

**Note 3 - Cash and Cash Equivalents**

At June 30, 2020, the carrying amount of the deposits and cash on hand totaled \$ 2,845,037, with a bank balance of \$ 2,865,151.

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.

**Henderson Hammock Charter School  
Notes to Basic Financial Statements  
June 30, 2020**

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**Note 4 - Due From Trustee**

Due from Trustee at June 30, 2020 consists of \$ 667,091 relating to FTE funds and accrued interest that has yet to be transferred to the School.

**Note 5 - Due From Related Party**

The School is a Department of The Florida Charter Educational Foundation, Inc. ("FCEF"). As of June 30, 2020, FCEF owes the School \$ 6,336 for funding yet to be distributed to the School and 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, 2020 are as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Capital assets, depreciable:				
Buildings	\$ 11,809,986	\$ -	\$ -	\$ 11,809,986
Furniture, fixtures and equipment	664,627	132,680	-	797,307
Computer equipment	1,103,064	172,312	-	1,275,376
Improvements other than buildings	<u>237,326</u>	<u>1,561</u>	<u>-</u>	<u>238,887</u>
Total capital assets, depreciable	<u>13,815,003</u>	<u>306,553</u>	<u>-</u>	<u>14,121,556</u>
Accumulated depreciation:				
Buildings	1,312,220	262,445	-	1,574,665
Furniture, fixtures and equipment	576,549	55,603	-	632,152
Computer equipment	920,432	130,592	-	1,051,024
Improvements other than buildings	<u>84,272</u>	<u>23,798</u>	<u>-</u>	<u>108,070</u>
Total accumulated depreciation	<u>2,893,473</u>	<u>472,438</u>	<u>-</u>	<u>3,365,911</u>
Net capital assets	<u>\$ 10,921,530</u>	<u>\$ (165,885)</u>	<u>\$ -</u>	<u>\$ 10,755,645</u>

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$ 186,195
Operation of plant	<u>286,243</u>
	<u>\$ 472,438</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, 2020, the net book value of the leased facility and equipment is approximately \$ 10,235,300. Amortization of the leased facility and equipment is included with depreciation expense.

**Henderson Hammock Charter School  
Notes to Basic Financial Statements  
June 30, 2020**

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

Future minimum payments at June 30, 2020 are approximately as follows:

Year Ending June 30,	Principal	Interest	Total
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	280,000	897,290	1,177,290
2026-2030	1,720,000	4,170,323	5,890,323
2031-2035	2,405,000	3,493,200	5,898,200
2036-2040	3,375,000	2,516,400	5,891,400
2041-2044	3,688,125	1,026,720	4,714,845
	<u>\$ 12,438,125</u>	<u>\$ 15,850,103</u>	<u>\$ 28,288,228</u>

**Note 8 - Long-Term Liabilities**

Changes in long-term liabilities during the fiscal year ended June 30, 2020, are as follows:

	Balance at July 1, 2019	Additions	Retirements	Amortization	Balance at June 30, 2020	Amount Due Within One Year
Capital lease obligation net of unamortized costs of \$ 281,773	\$ 12,284,650	\$ -	\$ 200,000	\$ 71,702	\$ 12,156,352	\$ 220,000
Compensated absences	28,920	27,931	8,515	-	48,336	36,252
	<u>\$ 12,313,570</u>	<u>\$ 27,931</u>	<u>\$ 208,515</u>	<u>\$ 71,702</u>	<u>\$ 12,204,688</u>	<u>\$ 256,252</u>

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

The School recorded the following revenues for the year ended June 30, 2020:

Federal:	
National School Lunch Program	\$ 247,853
Title I	340,370
State:	
Florida Education Finance Program	7,686,465
Capital outlay	564,844
Other state revenue	258,565
National School Lunch Program	3,835
Local:	
Food service revenue	40,223
Childcare revenue	194,666
Miscellaneous local source revenue	88,033
	<u>\$ 9,424,854</u>

**Note 10 - Employee Benefit Plan**

During the year ended June 30, 2020, 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 Plan year ending December 31, 2019, the School had no forfeitures. For the year ended June 30, 2020, the School contributed a matching amount of \$ 11,978.

**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, 2020, the amount of compensation received by CSUSA was \$ 1,291,945.

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 \$ 775,534 for 2021 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, 2020 was approximately 14% of total revenues.

The basic financial statements reflect a due to CSUSA which totaled \$ 61,506 at June 30, 2020 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 ranges from approximately \$ 218,600 to \$ 431,400 per year over the term of the agreement which is through June 2044. For the year ended June 30, 2020, the School paid incremental rent to RAD in the amount of \$ 212,228.

**Reimbursement agreement:** The School has 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, 2020, the School paid \$ 150,036 under this agreement.

**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 \$ 564,844 for the 2019/2020 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 2019/2020 school year, the School reported 1119.87 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.

**Note 15 - Risk and Uncertainties**

In March 2020, the *World Health Organization* declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, the local and global financial markets are experiencing significant declines and creating economic uncertainties. At this time, it is unknown precisely how this negative outlook will impact the School's financial statements in the future. No adjustments have been made to the accompanying financial statements as a result of the current events.

**Note 16 – Reissuance of Financial Statements**

The Foundation has a requirement to meet a certain debt service coverage ratio in connection with the 2014 Series Bonds. It was discovered that the Foundation initially did not meet the requirement and the management company agreed to lower the management fees by \$ 23,000 to allow the Foundation to be in compliance. As a result, the School's fund balance, net change in fund balance, unrestricted net position and change in net position all increased by \$ 23,000.

OTHER INDEPENDENT  
AUDITOR'S REPORTS

Keefe  
McCullough  
CPA's + Trusted Advisors



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, 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 22, 2020 (except for Note 16, as to which the date is October 27, 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 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 22, 2020  
(except for Note 16, as to which the date is October 27, 2020)

## 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, 2020, and have issued our report thereon dated September 22, 2020 (except for Note 16, as to which the date is October 27, 2020).

### 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 22, 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 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 22, 2020  
(except for Note 16, as to which the date is October 27, 2020)