

Winthrop Charter School

A Department of Bay Area Charter Foundation, LLC
(A Component Unit of the School
Board of Hillsborough County, Florida)

Basic Financial Statements
For the Year Ended June 30, 2021



Winthrop Charter School

Table of Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis (Not Covered by Independent Auditor's Report)	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10-11
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13-14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	15
Statement of Revenues and Expenditures - Budget and Actual - General Fund	16
Statement of Revenues and Expenditures - Budget and Actual - Grants Fund	17
Notes to Basic Financial Statements	18-29
Other Independent Auditor's Reports	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31
Independent Auditor's Report to the Board of Directors	32-33

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Winthrop Charter School
A Department of Bay Area Charter Foundation, LLC
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 Winthrop Charter School (the "School"), a Department of Bay Area Charter Foundation, LLC ("BACF"), and a component unit of the School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2021, 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, 2021, and the respective changes in financial position, and budgetary comparison for the General Fund and Grants 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 BACF that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of BACF as of June 30, 2021 and the changes in its financial position or budgetary comparisons, where applicable, for the year ended June 30, 2021 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 30, 2021, 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 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS



**Winthrop Charter School
Management's Discussion and Analysis
June 30, 2021**

As management of Winthrop Charter School (the "School"), a Department of Bay Area Charter Foundation, LLC, 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 year ended June 30, 2021 and 2020.

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, 2021, the School's fund balance was \$ 4,451,003 as compared to \$ 4,334,695 at June 30, 2020.
- As of June 30, 2021, the School had a net position of \$ 2,385,220 as compared to \$ 2,177,131 at June 30, 2020.

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, Grants 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 Grants Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 10 through 17 of this report.

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 29 of this report.

Government-Wide Financial Analysis

This is the School's tenth year of operations; therefore, comparative government-wide data is presented. The School's net position was \$ 2,385,220 at June 30, 2021. This amount represents net investment in capital assets (deficit) of \$ (1,977,474), restricted net position of \$ 287,260 and unrestricted net position of \$ 4,075,434. The School's net position was \$ 2,177,131 at June 30, 2020. Of this amount, \$ 3,981,737 represented unrestricted net position, \$ 273,289 represented restricted net position and \$ (2,077,895) represented net investment in capital assets (deficit).

**Winthrop Charter School
Management's Discussion and Analysis
June 30, 2021**

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

Winthrop Charter School Net Position		
	June 30, 2021	June 30, 2020
Assets:		
Current and other assets	\$ 5,361,290	\$ 4,662,979
Noncurrent assets	<u>14,454,996</u>	<u>13,256,509</u>
Total assets	<u>19,816,286</u>	<u>17,919,488</u>
Liabilities:		
Current liabilities	1,445,568	1,455,896
Noncurrent liabilities	<u>18,066,709</u>	<u>14,286,461</u>
Total liabilities	<u>19,512,277</u>	<u>15,742,357</u>
Net Position:		
Net investment in capital assets (deficit)	(1,977,474)	(2,077,895)
Restricted	287,260	273,289
Unrestricted	<u>4,075,434</u>	<u>3,981,737</u>
Total net position	<u>\$ 2,385,220</u>	<u>\$ 2,177,131</u>

Current and other assets increased mainly due to an increase in the School's cash position. Capital assets, net of depreciation increased due to asset increases totaling \$1.9 million affected by the renegotiation of the School's capital lease. The increase in capital assets was somewhat offset by depreciation expense of \$500,000. Current liabilities decreased and noncurrent liabilities increased due to the renegotiation of the School's capital lease.

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, 2021 and 2020:

Winthrop Charter School Change in Net Position		
	June 30, 2021	June 30, 2020
Revenues:		
General revenues	\$ 9,303,005	\$ 9,117,499
Program revenues	<u>1,662,247</u>	<u>1,815,896</u>
Total revenues	<u>10,965,252</u>	<u>10,933,395</u>
Functions/Program Expenses:		
Instruction	5,199,987	4,935,749
Instructional support services	3,345,479	3,142,261
Non-instructional services	<u>2,211,697</u>	<u>2,571,716</u>
Total expenses	<u>10,757,163</u>	<u>10,649,726</u>
Change in net position	<u>\$ 208,089</u>	<u>\$ 283,669</u>

**Winthrop Charter School
Management's Discussion and Analysis
June 30, 2021**

General revenues increased due to an increase in state source revenues compared to the previous year with the new teacher salary allocation funds. Program revenues decreased compared to last year due to a reduction in before and aftercare revenues, grants and food service. Total expenses increased due to an increase in instruction and instructional support services.

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	2021		2020	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 5,081,656	41%	\$ 4,804,888	44%
Facilities acquisition and construction	1,874,980	15%	40,789	1%
Debt service	1,733,423	14%	2,238,199	21%
Plant operations and maintenance	1,052,795	9%	1,002,603	9%
Administrative services	769,359	6%	593,434	5%
All other functions/programs	1,813,275	15%	2,117,937	20%
Total governmental expenditures	\$ <u>12,325,488</u>	<u>100%</u>	\$ <u>10,797,850</u>	<u>100%</u>

Capital Assets and Debt Administration

Capital assets: At June 30, 2021, the School had capital assets of \$ 14,442,496, net of accumulated depreciation, invested in building, furniture, fixtures and equipment, computer equipment and improvements other than buildings as compared to \$ 13,094,009 at June 30, 2020.

Debt: At June 30, 2021, the School had outstanding debt of \$ 18,532,360 as compared to \$ 15,171,904 at June 30, 2020. Additional information on the School's debt can be found in Notes 8 and 9 on page 25.

General Fund Budgetary Highlights

Florida Education Finance Program revenues were unfavorable to budget due to a slight change in state source revenues. Food service and aftercare revenues also fell short of budget due to a reduction in overall program participation. Total General Fund revenues were unfavorable to budget by \$545,000. Total General Fund expenditures were unfavorable to budget by \$1.1 million due primarily to an increase in facilities acquisition and construction expenditures with the renegotiation of the School's capital lease. This increase is offset by proceeds from the renegotiation. Overall, the School ended the year with a change in fund balance that was favorable to the budget by approximately \$382,000.

Economic Factors and Next Year's Budget

In fiscal year 2021, the State of Florida increased its Florida Education Finance Program (FEFP) base funding to include a teacher salary increase pool of \$ 500 million and mental health initiative allocations. The capital outlay funding pool increased to \$ 169.6 million. A 2% merit increase was paid out to eligible staff.

For fiscal year 2022, the Florida Education Finance Program funding and the capital outlay revenue assumed at a flat rate in comparison to the current rate per student. The teacher salary allocation will continue to be a part of the base FEFP funding. A 2% merit increase for all staff was included in the budget. All other expenditures are budgeted in alignment with enrollment changes and the School's strategic objectives.

Requests for Information

If you have any questions about this report or need additional information, please write Myrna Lainé-Hyppolite, Senior Vice President - Finance and School Accounting; Charter Schools USA, 800 Corporate Drive, Suite 700, Ft. Lauderdale, FL 33334.

BASIC FINANCIAL STATEMENTS

Winthrop Charter School
Statement of Net Position
June 30, 2021

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 3,892,490
Due from other governments	118,139
Due from related party	39,734
Interest receivable	542
Prepaid items	8,961
Deposits	26,398
Loan to related party	150,000
Restricted investments	<u>1,125,026</u>
Total current assets	<u>5,361,290</u>
Noncurrent Assets:	
Loan to related party	12,500
Capital assets (depreciable), net of accumulated depreciation	<u>14,442,496</u>
Total noncurrent assets	<u>14,454,996</u>
Total assets	<u>19,816,286</u>
Deferred Outflows of Resources:	
Deferred amount on renegotiation of capital lease	<u>2,081,211</u>
Current Liabilities:	
Accounts payable and accrued liabilities	155,035
Salaries and wages payable	623,144
Due to management company	135,142
Compensated absences	49,947
Capital lease	<u>482,300</u>
Total current liabilities	<u>1,445,568</u>
Noncurrent Liabilities:	
Compensated absences	16,649
Capital lease	<u>18,050,060</u>
Total noncurrent liabilities	<u>18,066,709</u>
Total liabilities	<u>19,512,277</u>
Commitments (Note 12)	
	-
Net Position:	
Net investment in capital assets (deficit)	(1,977,474)
Restricted for extracurricular activities	287,260
Unrestricted	<u>4,075,434</u>
Total net position	<u>\$ 2,385,220</u>

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

**Winthrop Charter School
Statement of Activities
For the Year Ended June 30, 2021**

	Program Revenues			Governmental Activities Net Revenue (Expense) and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs:					
Instruction	\$ 5,199,987	\$ -	\$ 179,658	\$ -	\$ (5,020,329)
Instruction support services	356,228	-	-	-	(356,228)
Board services	22,433	-	-	-	(22,433)
General administration - District administrative fee	35,075	-	-	-	(35,075)
General administration - Management fee	736,933	-	-	-	(736,933)
Administrative services	769,359	-	-	-	(769,359)
Fiscal services	6,330	-	-	-	(6,330)
Food services	429,840	12,329	429,840	-	12,329
Central services	46,499	-	-	-	(46,499)
Operation of plant	1,215,200	-	116,783	-	(1,098,417)
Maintenance of plant	232,684	-	-	-	(232,684)
Community services - childcare or VPK, salaries, benefits, materials and supplies, etc.	88,842	107,119	-	-	18,277
Extracurricular activities	91,095	-	120,787	-	29,692
Interest on long-term debt	1,526,658	-	-	695,731	(830,927)
	<u>1,526,658</u>	<u>-</u>	<u>-</u>	<u>695,731</u>	<u>(830,927)</u>
Total governmental activities	\$ <u>10,757,163</u>	\$ <u>119,448</u>	\$ <u>847,068</u>	\$ <u>695,731</u>	<u>(9,094,916)</u>
General revenues:					
Grants and entitlements					9,227,915
Interest income					53,251
Other income					21,839
					<u>9,303,005</u>
Total general revenues					<u>9,303,005</u>
Change in net position					208,089
Net position, July 1, 2020, as restated (Note 16)					<u>2,177,131</u>
Net position, June 30, 2021					\$ <u>2,385,220</u>

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

Winthrop Charter School
Balance Sheet - Governmental Funds
June 30, 2021

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Project Fund</u>
Assets:			
Cash and cash equivalents	\$ 3,604,209	\$ -	\$ -
Due from other governments	-	118,139	-
Due from related party	39,734	-	-
Due from other funds	109,694	-	-
Interest receivable	542	-	-
Prepaid items	8,961	-	-
Deposits	26,398	-	-
Loan to related party	162,500	-	-
Restricted investments	<u>1,125,026</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 5,077,064</u>	<u>\$ 118,139</u>	<u>\$ -</u>
Liabilities:			
Accounts payable and accrued liabilities	\$ 155,035	\$ -	\$ -
Salaries and wages payable	623,144	-	-
Due to management company	135,142	-	-
Due to other funds	<u>-</u>	<u>108,673</u>	<u>-</u>
Total liabilities	<u>913,321</u>	<u>108,673</u>	<u>-</u>
Deferred Inflows of Resources:			
Unavailable revenues	<u>-</u>	<u>9,466</u>	<u>-</u>
Commitments (Note 12)			
	-	-	-
Fund Balances:			
Nonspendable:			
Prepaid items	8,961	-	-
Deposits	26,398	-	-
Loan to related party	12,500	-	-
Restricted for debt service	31,179	-	-
Restricted for extracurricular activities	-	-	-
Assigned to subsequent year's budget	354,582	-	-
Unassigned	<u>3,730,123</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>4,163,743</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,077,064</u>	<u>\$ 118,139</u>	<u>\$ -</u>

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

<u>Debt Service Fund</u>	<u>Nonmajor Club and Activities Fund</u>	<u>Total</u>
\$ -	\$ 288,281	\$ 3,892,490
-	-	118,139
-	-	39,734
-	-	109,694
-	-	542
-	-	8,961
-	-	26,398
-	-	162,500
-	-	1,125,026
<u>\$ -</u>	<u>\$ 288,281</u>	<u>\$ 5,483,484</u>
\$ -	\$ -	\$ 155,035
-	-	623,144
-	-	135,142
-	1,021	109,694
<u>-</u>	<u>1,021</u>	<u>1,023,015</u>
-	-	9,466
-	-	-
-	-	8,961
-	-	26,398
-	-	12,500
-	-	31,179
-	287,260	287,260
-	-	354,582
-	-	3,730,123
<u>-</u>	<u>287,260</u>	<u>4,451,003</u>
<u>\$ -</u>	<u>\$ 288,281</u>	<u>\$ 5,483,484</u>

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

**Winthrop Charter School
 Reconciliation of the Balance Sheet of the Governmental Funds
 to the Statement of Net Position
 June 30, 2021**

Total Fund Balances - Governmental Funds \$ 4,451,003

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	\$ 19,979,590	
Accumulated depreciation	<u>(5,537,094)</u>	14,442,496

Unavailable revenue in the governmental funds is susceptible to full accrual in the government-wide statements.		9,466
---	--	-------

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	\$ (66,596)	
Capital lease	<u>(18,532,360)</u>	<u>(18,598,956)</u>

Governmental funds report the effect of premiums, discounts and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		<u>2,081,211</u>
--	--	------------------

Net Position of Governmental Activities \$ 2,385,220

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

Winthrop Charter School
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2021

	<u>Account</u>	<u>General Fund</u>	<u>Grants Fund</u>
Revenues:			
Federal through state and local	3200	\$ -	\$ 598,590
State sources:			
Florida Education Finance Program	3310	9,227,915	-
State capital outlay and debt service	3320	-	-
Other state revenue	3330	67,855	-
National School Lunch Program	3370	-	3,045
Food service revenue	3450	12,329	-
Childcare revenue	3470	107,119	-
Miscellaneous local source revenue	3490	122,415	-
		<u>9,537,633</u>	<u>601,635</u>
Total revenues			
Expenditures:			
Instruction	5000	5,038,534	43,122
Instruction support services	6000	356,228	-
Board services	7100	22,433	-
General administration - District administrative fee	7200.30	35,075	-
General administration - Management fee	7200.31	736,933	-
Administrative services	7300	769,359	-
Facilities acquisition and construction	7400	1,757,534	117,446
Fiscal services	7500	6,330	-
Food services	7600	-	429,840
Central services	7700	46,499	-
Operation of plant	7900	799,418	20,693
Maintenance of plant	8100	232,684	-
Community services - childcare or VPK salaries, benefits, materials and supplies, etc.	9100	88,842	-
Extracurricular activities	9100	-	-
Debt service:			
Principal	9200	-	-
Interest	9200	-	-
		<u>9,889,869</u>	<u>611,101</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures		<u>(352,236)</u>	<u>(9,466)</u>
Other Financing Sources (Uses):			
Renegotiation of capital lease	3710	1,486,010	-
Transfer in	3640	-	9,466
Transfer out	9700	(1,047,158)	-
		<u>438,852</u>	<u>9,466</u>
Total other financing sources (uses)			
Net change in fund balances		86,616	-
Fund Balances, July 1, 2020, as restated (Note 16)		<u>4,077,127</u>	<u>-</u>
Fund Balances, June 30, 2021		<u>\$ 4,163,743</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>Nonmajor Club and Activities Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 598,590
-	-	-	9,227,915
695,731	-	-	695,731
-	-	-	67,855
-	-	-	3,045
-	-	-	12,329
-	-	-	107,119
-	-	120,787	243,202
<u>695,731</u>	<u>-</u>	<u>120,787.00</u>	<u>10,955,786</u>
-	-	-	5,081,656
-	-	-	356,228
-	-	-	22,433
-	-	-	35,075
-	-	-	736,933
-	-	-	769,359
-	-	-	1,874,980
-	-	-	6,330
-	-	-	429,840
-	-	-	46,499
-	-	-	820,111
-	-	-	232,684
-	-	-	88,842
-	-	91,095	91,095
-	373,867	-	373,867
<u>695,731</u>	<u>663,825</u>	<u>-</u>	<u>1,359,556</u>
<u>695,731</u>	<u>1,037,692</u>	<u>91,095</u>	<u>12,325,488</u>
<u>-</u>	<u>(1,037,692)</u>	<u>29,692</u>	<u>(1,369,702)</u>
-	-	-	1,486,010
-	1,037,692	-	1,047,158
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,047,158)</u>
<u>-</u>	<u>1,037,692</u>	<u>-</u>	<u>1,486,010</u>
-	-	29,692	116,308
<u>-</u>	<u>-</u>	<u>257,568</u>	<u>4,334,695</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>287,260</u>	\$ <u>4,451,003</u>

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

**Winthrop 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, 2021**

Net Change in Fund Balances - Governmental Fund \$ 116,308

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.

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	\$	1,874,980	
Provision for depreciation		<u>(526,493)</u>	1,348,487

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 373,867

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (1,486,010)

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. 9,466

Certain items reported in the statement 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	\$	13,073	
Provision for amortization of costs associated with capital lease		(125,238)	
Amortization of deferred amount on renegotiation of capital lease		<u>(41,864)</u>	<u>(154,029)</u>

Change in Net Position of Governmental Activities \$ 208,089

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

**Winthrop Charter School
Statement of Revenues and Expenditures -
Budget and Actual - General Fund
For the Year Ended June 30, 2021**

	<u>Account</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State sources:				
Florida Education Finance Program	3310	\$ 9,335,040	\$ 9,227,915	\$ (107,125)
Other state revenue	3330	132,815	67,855	(64,960)
Food service revenue	3450	132,518	12,329	(120,189)
Childcare revenue	3470	361,519	107,119	(254,400)
Miscellaneous local source revenue	3490	120,665	122,415	1,750
Total revenues		<u>10,082,557</u>	<u>9,537,633</u>	<u>(544,924)</u>
Expenditures:				
Instruction	5000	5,090,098	5,038,534	51,564
Instruction support services	6000	376,598	356,228	20,370
Board services	7100	27,458	22,433	5,025
General administration - District administrative fee	7200.30	34,961	35,075	(114)
General administration - Management fee	7200.31	736,933	736,933	-
Administrative services	7300	644,166	769,359	(125,193)
Facilities acquisition and construction	7400	336,700	1,757,534	(1,420,834)
Fiscal services	7500	7,504	6,330	1,174
Food services	7600	125,824	-	125,824
Central services	7700	157,378	46,499	110,879
Operation of plant	7900	870,416	799,418	70,998
Maintenance of plant	8100	201,194	232,684	(31,490)
Community services - childcare or VPK salaries, benefits, materials and supplies, etc.	9100	202,265	88,842	113,423
Total expenditures		<u>8,811,495</u>	<u>9,889,869</u>	<u>(1,078,374)</u>
Excess (deficiency) of revenues over expenditures		1,271,062	(352,236)	(1,623,298)
Other Financing Uses:				
Renegotiation of capital lease	3710	-	1,486,010	1,486,010
Transfer out	9700	(1,566,515)	(1,047,158)	519,357
Total other financing sources (uses)		<u>(1,566,515)</u>	<u>438,852</u>	<u>2,005,367</u>
Net change in fund balance		<u>\$ (295,453)</u>	<u>\$ 86,616</u>	<u>\$ 382,069</u>

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

**Winthrop Charter School
Statement of Revenues and Expenditures -
Budget and Actual - Grants Fund
For the Year Ended June 30, 2021**

	<u>Account</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Federal sources:				
National School Lunch Program	3260	\$ 167,323	\$ 438,022	\$ 270,699
Elementary and Secondary School Emergency Relief Fund	3271	-	160,568	160,568.00
State sources:				
National School Lunch Program	3370	-	3,045	3,045
Total revenues		<u>167,323</u>	<u>601,635</u>	<u>434,312</u>
Expenditures:				
Instruction	5000	-	43,122	(43,122)
Facilities acquisition and construction	7400	-	117,446	(117,446)
Food services	7600	167,323	429,840	(262,517)
Operation of plant	7900	-	20,693	(20,693)
Total expenditures		<u>167,323</u>	<u>611,101</u>	<u>(443,778)</u>
Excess (deficiency) of revenues over expenditures		<u>-</u>	<u>(9,466)</u>	<u>(9,466)</u>
Other Financing Sources:				
Transfer in		<u>-</u>	<u>9,466</u>	<u>9,466</u>
Net change in fund balance		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Note 1 - Organization and Operations

Winthrop Charter School (the "School"), a Department of Bay Area Charter Foundation, LLC, 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 1,331 students enrolled for the 2020/2021 school year. Bay Area Charter Foundation, LLC ("BACF") is a Florida limited liability company organized in April 2011. Florida Charter Educational Foundation, Inc. ("FCEF") is a Florida nonprofit corporation, organized pursuant to Chapter 617, Florida Statutes, and is the sole member of BACF. The governing board of the School consists of the officers and directors of BACF. FCEF operates Henderson Hammock Charter School, SouthShore Charter Academy, Waterset Charter School, Winthrop College Prep Academy 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. BACF also operates Woodmont Charter School in Hillsborough 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 BACF or FCEF as of June 30, 2021, and their changes in 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, 2031 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

Grants Fund - This special revenue 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 nonmajor fund type:

Club and Activities Fund - This special revenue 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Cash and cash equivalents: The School considers all demand accounts and short-term investments with a maturity of three months or less when purchased 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 receivable 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 goods 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 Department of Bay Area Charter Foundation, LLC ("BACF"). Florida Charter Educational Foundation, Inc. ("FCEF") is a Florida nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code. FCEF is the sole member of BACF. For federal income tax purposes, BACF is considered a "disregarded entity." Because BACF is treated as a "disregarded entity," BACF is considered to be, for federal income tax purposes, a division of FCEF and, therefore, BACF is considered to be a tax-exempt organization. Accordingly, no provision for income taxes has been made in these 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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	3 - 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 has one item that qualifies for reporting in this category. The government-wide statement of net position reports a deferred amount on renegotiation of capital lease.

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 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 includes salary-related benefits, where applicable. Payments for compensated absences are generally paid out 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.
- **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 Fund Balance Sheet on page 10.

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 30, 2021, which is the date the financial statements were available to be issued.

Note 3 - Cash and Cash Equivalents

At June 30, 2021, the carrying amount of the deposits and cash on hand totaled \$ 3,892,490, with a bank balance of \$ 3,911,161.

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 - Investments

In November 2020 Florida Charter Educational Foundation, Inc. borrowed funds for acquisition facilities and refinancing of prior debt for three of their schools, including Winthrop Charter Academy (Note 9). The restricted investments of the School are governed by the Bond Indenture. The investments are held by the Trustee and are restricted for debt service. At June 30, 2021, the School has \$ 1,125,026 invested in a money market mutual fund that is stated at amortized cost which approximates fair value.

Generally, *credit risk* is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. The exposure to credit risk is limited because the money market fund is rated AAA-mf by Moody's.

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The exposure to declines in fair values is limited because the weighted average maturity of the money market fund is thirty-two days.

Note 5 - Due From Related Party

The School is a Department of The Florida Charter Educational Foundation, Inc. ("FCEF"). As of June 30, 2021, FCEF owes the School \$ 39,734 for funding yet to be distributed to the School and board of directors' expenses that were prepaid by the School.

Note 6 - Loan to Related Party

The School and Woodmont Charter School ("WOOD") are related as they share common board membership and are Departments of The Florida Charter Educational Foundation, Inc. As of June 30, 2021, WOOD owes the School \$ 162,500 for general working capital purposes. The loan is to be repaid over a period of four years with interest at 4.0%.

Winthrop Charter School
Notes to Basic Financial Statements
June 30, 2021

Note 6 - Loan to Related Party (continued)

The following is a schedule of the future minimum receipts as of June 30, 2021:

Year Ending June 30,	
2022	\$ 150,000
2023	<u>12,500</u>
	<u>\$ 162,500</u>

Note 7 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2021 are as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets, depreciable:				
Building	\$ 15,782,821	\$ 1,583,204	\$ -	\$ 17,366,025
Furniture, fixtures and equipment	710,049	65,649	-	775,698
Computer equipment	1,373,371	226,127	-	1,599,498
Improvements other than buildings	<u>238,369</u>	<u>-</u>	<u>-</u>	<u>238,369</u>
 Total capital assets, depreciable	 <u>18,104,610</u>	 <u>1,874,980</u>	 <u>-</u>	 <u>19,979,590</u>
Accumulated depreciation:				
Building	2,929,076	371,252	-	3,300,328
Furniture, fixtures and equipment	666,764	28,843	-	695,607
Computer equipment	1,285,298	102,561	-	1,387,859
Improvements other than buildings	<u>129,463</u>	<u>23,837</u>	<u>-</u>	<u>153,300</u>
 Total accumulated depreciation	 <u>5,010,601</u>	 <u>526,493</u>	 <u>-</u>	 <u>5,537,094</u>
 Net capital assets	 <u>\$ 13,094,009</u>	 <u>\$ 1,348,487</u>	 <u>\$ -</u>	 <u>\$ 14,442,496</u>

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$ 131,404
Operation of plant	<u>395,089</u>
	<u>\$ 526,493</u>

Winthrop Charter School
Notes to Basic Financial Statements
June 30, 2021

Note 8 - Capital Lease

The School amended its capital lease arrangement with Red Apple at Winthrop, LLC for use of its facility. The original lease arrangement was entered into as part of a transaction consisting of a bond issuance by Bay Area Charter Foundation, LLC and Red Apple Development, Inc. (Note 12) and was amended when the Series 2020 Bonds were issued to refund the Series 2011 Bonds. The lease is through June 2065 and requires monthly principal and interest payments through June 2050. As of June 30, 2021, the net book value of the leased facility is approximately \$ 14,065,700. Amortization of the leased facility is included with depreciation expense.

Annual debt service requirements:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 482,300	\$ 1,070,695	\$ 1,552,995
2023	699,300	1,023,479	1,722,779
2024	597,800	989,662	1,587,462
2025	625,800	962,761	1,588,561
2026	653,800	934,600	1,588,400
2027-2031	3,745,000	4,202,901	7,947,901
2032-2036	4,760,000	3,205,380	7,965,380
2037-2041	4,756,852	1,900,416	6,657,268
2042-2046	1,564,323	1,099,592	2,663,915
2047-2050	<u>1,478,049</u>	<u>527,788</u>	<u>2,005,837</u>
	<u>\$ 19,363,224</u>	<u>\$ 15,917,274</u>	<u>\$ 35,280,498</u>

Note 9 - Long-Term Liabilities

Changes in the School's long-term liabilities for fiscal year ended June 30, 2021, are as follows:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amortization</u>	<u>Balance at June 30, 2021</u>	<u>Amount Due Within One Year</u>
Capital lease obligations, net of unamortized costs of \$ 830,864	\$ 15,171,904	\$ 3,609,085	\$ 373,867	\$ 125,238	\$ 18,532,360	\$ 482,300
Compensated absences	<u>79,669</u>	<u>9,826</u>	<u>22,899</u>	<u>-</u>	<u>66,596</u>	<u>49,947</u>
	<u>\$ 15,251,573</u>	<u>\$ 3,618,911</u>	<u>\$ 396,766</u>	<u>\$ 125,238</u>	<u>\$ 18,598,956</u>	<u>\$ 532,247</u>

Note 10 - Federal, State and Local Revenue Sources

The School recorded the following revenues for the year ended June 30, 2021:

Federal:	
National School Lunch Program	\$ 438,022
Elementary and Secondary School Emergency Relief Fund	160,568
State:	
Florida Education Finance Program	9,227,915
State capital outlay and debt service	695,731
Other state revenue	67,855
National School Lunch Program	3,045
Local:	
Food service revenue	12,329
Childcare revenue	107,119
Miscellaneous local source revenue	<u>243,202</u>
	<u>\$ 10,955,786</u>

Note 11 - Employee Benefit Plan

During the year ended June 30, 2021, 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, 2020, the School had \$ 445 in forfeitures. For the year ended June 30, 2021, the School contributed a matching amount of \$ 30,565.

Note 12 - Commitments

Management agreement: The School has a formal agreement with Charter Schools USA at Hillsborough, LLC (“CSUSA”) to manage, staff, and operate the School through June 2031. 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. CSUSA shall be entitled to retain a fee for its services rendered pursuant to this agreement. The fees range from \$ 854,310 for 2022 to \$ 2,458,786 for 2036 or the budgeted amount approved by the Board of Directors based on enrollment. Total cost reimbursements and management fees amounted to \$ 736,933 for the year ending June 30, 2021.

The School has an amount of \$ 135,142 due to CSUSA for the year ending June 30, 2021, for expenses paid on behalf the School.

Lease agreement: In 2020, the Florida Development Finance Corporation (the “Corporation”) issued \$ 29,770,000 in Tax Exempt Educational Facilities Revenue Bonds, Series 2020A, \$ 32,480,000 in Taxable Convertible Educational Facilities Revenue Bonds, Series 2020B and \$ 1,200,000 in Taxable Educational Facilities Revenue Bonds, Series 2020C pursuant to an Indenture of Trust between the Corporation and a trustee to make a loan to Florida Charter Educational Foundation, Inc. (“FCEF”), a division of which the School exists, and Red Apple Development, LLC and subsidiaries (“RAD”) to finance the acquisition of the facilities of three charter schools existing under FCEF. 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.

Concurrent with the preceding loan transaction, RAD, through its wholly-owned subsidiaries, entered into three lease agreements with FCEF. The facilities which are owned by RAD are leased by FCEF on behalf of the schools under a 45-year lease (Note 8). The lease for Winthrop Charter School 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 2050. These payments are made from the revenues received from the School Board of Hillsborough County for the operation of the Schools. 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.

The School is required to fund an operating revenue fund in accordance with the Indenture. The balance of this fund must meet the operating reserve fund requirement as outlined in the Indenture as of November 15 of each year. The funds can be used by the School for the payment of ordinary and necessary operating expenses of the School as defined in the Indenture. As of June 30, 2021, the operating reserve fund met this requirement.

Incremental rent: In addition to the debt service payments noted in Note 8, the School is required to pay incremental rent payments to RAD. The incremental rent payments range from approximately \$ 481,479 to \$ 2,590,065 per year over the term of the agreement which is through June 2065. For the year ended June 30, 2021, no incremental rent was paid.

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

Note 13 - 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 \$ 695,731 for the 2020/2021 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 a portion of the interest expense on the capital lease.

Note 14 - 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 2020/2021 school year, the School reported 1300.00 unweighted FTE. Weighted funding represented approximately 3% of total state funding.

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 15 - 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 12, 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 16 - Prior Period Adjustments

GASB No. 84, *Fiduciary Activities*, effective for fiscal year ended June 30, 2021, deals with financial reporting of Fiduciary Activities and no longer permits the use of Agency Funds, which requires a change to the way the School reports its Internal Accounts. Internal Account activity will now be reported in the Club and Activities Fund. This treatment requires the restatement of the net position and fund balances as of June 30, 2020. The restatements are as follows:

Fund balances, June 30, 2020	\$	4,077,127
Addition of due to General Fund		(15,721)
Inclusion of Agency Fund		<u>273,289</u>
Restated fund balances, June 30, 2020	\$	<u><u>4,334,695</u></u>
Net position, June 30, 2020	\$	1,919,563
Removal of due from Agency Fund		(15,721)
Inclusion of Agency Fund		<u>273,289</u>
Restated net position, June 30, 2020	\$	<u><u>2,177,131</u></u>

Note 17 - Risk and Uncertainties

The coronavirus (COVID-19) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the *World Health Organization* designated the coronavirus outbreak as a pandemic. Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event may have on the School's financial position and operations. The full impact of COVID-19 is unknown at this time and cannot be reasonably estimated as these events are still developing.

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
Winthrop Charter School
A Department of Bay Area Charter Foundation, LLC
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 Winthrop Charter School (the "School"), A Department of Bay Area Charter Foundation, LLC, and a component unit of the School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2021, 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 30, 2021.

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) as a basis for designing 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 financial statements. 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 30, 2021

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Winthrop Charter School
A Department of Bay Area Charter Foundation, LLC
Hillsborough County, Florida

Report on the Financial Statements

We have audited the financial statements of Winthrop Charter School (the "School"), A Department of Bay Area Charter Foundation, LLC, and a component unit of the School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2021, and have issued our report thereon dated September 30, 2021.

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 30, 2021, 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 Winthrop Charter School and 296658.

CPA's + Trusted Advisors

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 30, 2021