

HIGHLY INQUISITIVE & VERSATILE EDUCATION (HIVE) PREPARATORY SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2022

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
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JUNE 30, 2022

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HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

As management of Highly Inquisitive & Versatile Education (HIVE) Preparatory School (the "School") and Advanced Learning Charter School, Inc. (the "Charter Holder"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2022 to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements starting on page 10.

Financial Highlights

- Assets exceeded liabilities at the end of the fiscal year by \$507,088 (net position).
- Current assets exceeded current liabilities at the end of the fiscal year by \$1,284,961.
- The decrease in net position for the year ended June 30, 2022 was \$317,324.
- The unassigned fund balance at the end of the fiscal year was \$1,448,868.

Overview of the Financial Statements

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

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

The Statement of Net Position presents information on all of the School's assets and liabilities, with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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

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

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

The government-wide financial statements can be found on pages 10 and 11 of this report.

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

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

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

The School maintains two individual government funds. Information is presented separately in the governmental fund balance sheet and statement of revenue, expenditures and changes in fund balances. The general fund and special revenue fund are considered to be major funds. The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules have been provided to demonstrate compliance with this budget and can be found on pages 29 and 30 of this report.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 16 of this report.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

Government-wide Financial Analysis

As noted previously, net position serves, over time, as a useful indicator of the School's financial position. For the years ended June 30, 2022 and 2021, the School's assets exceeded liabilities by \$507,088 and \$824,412 (as restated), respectively.

**HIVE Preparatory School
Statements of Net Position**

	Governmental Activities		
	2022	2021	Variance
ASSETS			
Cash and cash equivalents	\$ 1,679,120	\$ 1,618,869	\$ 60,251
Due from other agencies	164,413	280,910	(116,497)
Other assets	4,312	4,312	-
Capital assets, net of depreciation	<u>11,520,693</u>	<u>11,668,040</u>	<u>(147,347)</u>
Total assets	<u>\$ 13,368,538</u>	<u>\$ 13,572,131</u>	<u>\$ (203,593)</u>
LIABILITIES			
Current and other liabilities	\$ 562,884	\$ 546,134	\$ 16,750
Long-term liabilities	<u>12,298,566</u>	<u>12,199,172</u>	<u>99,394</u>
Total liabilities	<u>\$ 12,861,450</u>	<u>\$ 12,745,306</u>	<u>\$ 116,144</u>
NET POSITION			
Investment in capital assets	\$ (864,546)	\$ (527,054)	\$ (337,492)
Restricted	-	3,861	(3,861)
Unrestricted	1,371,634	1,350,018	21,616
Restatement of beginning net position	<u>-</u>	<u>(2,413)</u>	<u>2,413</u>
Total net position	<u>\$ 507,088</u>	<u>\$ 824,412</u>	<u>\$ (317,324)</u>

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

Government-wide Financial Analysis (Continued)

Accomplishments The School earned a letter grade of "A" for eleven consecutive years. Due to the COVID-19 pandemic, the Florida Department of Education suspended state-mandated assessments for the 2021 and 2020 years. However, data from school-based internal assessments reflects that students continued to make significant learning gains. The School is ranked among the top 10% of public schools and top 1% of Title 1 public schools in the State of Florida, based on the points it received under the State's Accountability Program. HIVE Prep is STEM accredited by the Miami-Dade County Public Schools system and is consistently categorized as a high scoring K-8 STEM School in the District. HIVE Prep continues to be recognized as an FLDOE High Performing Charter School (since 2013).

**HIVE Preparatory School
Statement of Activities**

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Revenue:			
Federal through Local	\$ 801,386	\$ 615,848	\$ 185,538
State and Local	7,454,077	7,233,077	221,000
Aftercare and lunch fees	343,506	118,129	225,377
Other Revenue (including Charges for Services)	<u>491,208</u>	<u>220,683</u>	<u>270,525</u>
Total Revenue	<u>9,090,177</u>	<u>8,187,737</u>	<u>902,440</u>
Expenses:			
Instruction	4,159,075	3,867,917	291,158
Instruction and Curriculum Development	3,270	10,189	(6,919)
General Administration	284,483	278,545	5,938
School Administration	1,414,610	1,154,629	259,981
Facilities Acquisition and Construction	111,474	119,557	(8,083)
Fiscal Services	640,077	654,531	(14,454)
Food Services	485,041	229,221	255,820
Operation of Plant - Interest on Capital Lease	1,005,873	1,006,748	(875)
Operation of Plant - Depreciation	566,055	562,932	3,123
Operation of Plant - Other	419,813	344,474	75,339
Maintenance of Plant	72,498	69,327	3,171
Community Services	<u>245,232</u>	<u>152,784</u>	<u>92,448</u>
Total Expenses	<u>9,407,501</u>	<u>8,450,854</u>	<u>956,647</u>
Change in net position	(317,324)	(263,117)	(54,207)
Net position at the beginning of the year	826,825	1,089,942	(263,117)
Restatement of beginning net position	<u>(2,413)</u>	<u>(2,413)</u>	<u>-</u>
Net position at the end of the year	\$ <u>507,088</u>	\$ <u>824,412</u>	\$ <u>(317,324)</u>

Financial Analysis of the Governmental Funds

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

Government Funds The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the general fund. The majority of the general fund revenues are distributed to the School by the District through the Florida Education Finance Program ("FEFP"), which uses formulas to distribute state funds and an amount of local property taxes (i.e. required local effort) established each year by the Florida Legislature.

At the end of the current fiscal year, the School's governmental general fund reported an ending fund balance of \$1,453,180 of which \$1,448,868 is unassigned and available for spending at the School's discretion. These funds will be available for the School's future ongoing operations.

Capital Improvement Requirements The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as needed.

Capital Assets The School's investment in capital assets for its governmental activities as of June 30, 2022 totaled \$11,520,693, net of accumulated depreciation. This investment in capital assets includes property acquired under a right-to-use leases, leasehold improvements, furniture, fixtures and equipment, audio visual equipment, computers and peripherals, and textbooks. Additional information on the School's capital assets can be found in Note 3 of the Financial Statements on page 23 of this report.

Long-term Debt The School's long-term liabilities at June 30, 2022 totaled \$12,298,566. The balance is comprised of a credit facility in amount of \$81,546 and \$12,217,020 associated with the long-term portion of the lease liabilities resulting from the School's facility and equipment leases. Further discussions of the School's long-term debt and lease liabilities can be found in Notes 4 and 6, respectively, of the Financial Statements on pages 24 and 25 of this report.

School Location For 2021-2022, the School continues to operate from its facility located at 5855 NW 171 Street, Miami Gardens, FL 33015.

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 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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Governmental Fund Budgetary Highlights

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

	Budget		Actual
	Original	Final	
Revenue:			
FTE Funding	\$ 6,862,248	\$ 6,822,989	\$ 6,884,027
Charter Capital Outlay	546,795	558,856	570,050
Title 1	292,000	302,165	335,790
NSLP and Lunch Fees	463,085	465,586	465,596
After Care and Summer Program	222,045	328,000	343,506
Other Revenue	<u>421,645</u>	<u>490,500</u>	<u>491,208</u>
Total Revenue	<u>8,807,818</u>	<u>8,968,096</u>	<u>9,090,177</u>
Expenditures:			
Instruction	3,635,678	3,910,025	3,980,316
Instruction and Curriculum Development	211,650	3,270	3,270
General Administration	57,074	278,500	284,483
School Administration	1,417,078	1,354,454	1,412,956
Facility Acquisition and Construction	54,466	21,515	32,979
Fiscal Services	695,511	690,678	640,077
Food Services	338,782	471,390	483,806
Operation of Plant - Capital Lease Payments	1,095,441	1,030,000	1,027,892
Operation of Plant - Depreciation	532,754	418,725	
Operation of Plant - Other	171,702	72,754	419,813
Maintenance of Plant	185,432	223,404	72,498
Community Services			245,232
Capital Outlay:			-
Other Capital Outlay	<u>174,710</u>	<u>278,222</u>	<u>313,651</u>
Total Expenditures	<u>8,570,278</u>	<u>8,752,937</u>	<u>8,916,973</u>
Excess Expenditures over Revenues	<u>\$ 237,540</u>	<u>\$ 215,159</u>	<u>\$ 173,204</u>

Most of the variances were the result of continued uncertainty related to the various grants and programs available at the time the original budget was prepared due to changes brought about by the COVID-19 pandemic. The final budget was formulated based on actual FTE counts and staffing level, as well as, additional knowledge of program availability.

Requests For Information This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Mr. Carlos Gonzalez at HIVE Preparatory School, 5855 NW 171 Street, Miami Gardens, FL 33015.



INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highly Inquisitive & Versatile Education ("HIVE") Preparatory School, (the "School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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 HIVE Preparatory School as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HIVE Preparatory School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the HIVE Preparatory School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 29 through 31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 15, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the School adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

PAAST, P.L.

Coral Gables, Florida
September 15, 2022

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
STATEMENT OF NET POSITION
AS OF JUNE 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,679,120
Due from other agencies	164,413
Other assets	<u>4,312</u>
Total current assets	<u>1,847,845</u>
Noncurrent assets:	
Capital assets, depreciable (Notes 3 and 6):	
Right-to-use lease assets	12,479,540
Property, plant, and equipment	2,967,055
Less: accumulated depreciation	<u>(3,925,902)</u>
Capital assets, net of depreciation	<u>11,520,693</u>
TOTAL ASSETS	<u>\$ 13,368,538</u>
LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable and accrued expenses	\$ 394,665
Lease liabilities	<u>168,219</u>
Total current liabilities	<u>562,884</u>
Long-term liabilities:	
Credit facility (Note 4)	81,546
Lease liabilities, net of current portion (Note 6)	<u>12,217,020</u>
Total long-term liabilities	<u>12,298,566</u>
TOTAL LIABILITIES	<u>12,861,450</u>
Net Position:	
Net investment in capital assets	(864,546)
Unrestricted	<u>1,371,634</u>
Total net position	<u>507,088</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 13,368,538</u>

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

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 4,159,075	\$ -	\$ 335,790	\$ -	\$ (3,823,285)
Instruction and Curriculum Development	3,270	-	-	-	(3,270)
General Administration	284,483	-	-	-	(284,483)
School Administration	1,414,610	-	-	-	(1,414,610)
Facilities Acquisition and Construction	111,474	-	-	-	(111,474)
Fiscal Services	640,077	-	-	-	(640,077)
Food Services	485,041	-	465,596	-	(19,445)
Operation of Plant - Interest on Lease	1,005,873	-	-	-	(1,005,873)
Operation of Plant - Depreciation	566,055	-	-	-	(566,055)
Operation of Plant - Other	419,813	-	-	570,050	150,237
Maintenance of Plant	72,498	-	-	-	(72,498)
Community Services	<u>245,232</u>	<u>343,506</u>	<u>-</u>	<u>-</u>	<u>98,274</u>
Total Governmental activities	<u>\$ 9,407,501</u>	<u>\$ 343,506</u>	<u>\$ 801,386</u>	<u>\$ 570,050</u>	<u>(7,692,559)</u>
General revenue:					
State passed through local school district					6,884,027
Other revenue					<u>491,208</u>
					<u>7,375,235</u>
Change in net position					(317,324)
Net position, beginning, as restated					<u>824,412</u>
Net position, ending					<u>\$ 507,088</u>

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

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,679,120	\$ -	\$ 1,679,120
Due from other agencies	-	164,413	164,413
Due from other fund	164,413	-	164,413
Other assets	<u>4,312</u>	<u>-</u>	<u>4,312</u>
TOTAL ASSETS	<u>\$ 1,847,845</u>	<u>\$ 164,413</u>	<u>\$ 2,012,258</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 394,665	\$ -	\$ 394,665
Deferred revenue	-	-	-
Due to other fund	<u>-</u>	<u>164,413</u>	<u>164,413</u>
TOTAL LIABILITIES	<u>394,665</u>	<u>164,413</u>	<u>559,078</u>
FUND BALANCES			
Non-spendable, not in spendable form	4,312	-	4,312
Restricted	-	-	-
Unassigned	<u>1,448,868</u>	<u>-</u>	<u>1,448,868</u>
TOTAL FUND BALANCES	<u>1,453,180</u>	<u>-</u>	<u>1,453,180</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,847,845</u>	<u>\$ 164,413</u>	<u>\$ 2,012,258</u>

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

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
 (A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 AS OF JUNE 30, 2022

Total Fund Balance - Governmental Funds \$ 1,453,180

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

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. All liabilities, both current and long-term, are reported in the statement of net position.

Balances at year-end consist of:

Credit facility (Note 4)	(81,546)
Lease liabilities (Note 6)	(12,385,239)

Capital assets of \$15,446,595 net of accumulated depreciation of \$3,925,902 used in governmental activities are not financial resources and therefore are not reported in governmental funds.
 (Note 3)

11,520,693

Total Net Position - Governmental Activities \$ 507,088

The accompanying notes are an integral part of these financial statements

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL.
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Federal passed through local school district	\$ -	\$ 801,386	\$ 801,386
State passed through local school district	6,884,027	570,050	7,454,077
Aftercare and lunch fees	343,506	-	343,506
Other revenue	491,208	-	491,208
Total Revenue	<u>7,718,741</u>	<u>1,371,436</u>	<u>9,090,177</u>
Expenditures:			
Instruction	3,644,526	335,790	3,980,316
Instruction and Curriculum Development	3,270	-	3,270
General Administration	284,483	-	284,483
School Administration	1,412,956	-	1,412,956
Facilities Acquisition and Construction	32,979	-	32,979
Fiscal Services	640,077	-	640,077
Food Services	-	483,806	483,806
Operation of Plant - Facility Lease Payments	457,842	570,050	1,027,892
Operation of Plant - Other	419,813	-	419,813
Maintenance of Plant	72,498	-	72,498
Community Services	245,232	-	245,232
Capital Outlay:			
Other Capital Outlay	624,671	-	624,671
Total Expenditures	<u>7,838,347</u>	<u>1,389,646</u>	<u>9,227,993</u>
Deficiency of Revenue over Expenditures	(119,606)	(18,210)	(137,186)
Other Financing Sources (Uses)			
Payments to credit facility	(100,000)	-	(100,000)
Lease liability for acquisition of lease assets	311,020	-	311,020
Transfers (out) and in	(18,210)	18,210	-
Total Other Financing Sources (Uses)	<u>192,810</u>	<u>18,210</u>	<u>211,020</u>
Change in fund balance	73,204	-	73,204
Fund balance at the beginning of the year	1,379,976	-	1,379,976
Fund balance at the end of the year	<u>\$ 1,453,180</u>	<u>\$ -</u>	<u>\$ 1,453,180</u>

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

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL.
 (A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds \$ 73,204

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

Governmental funds report fixed capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$624,671 differed from depreciation expense of \$887,222. (Note 3) (262,551)

The issuance of long-term debt provides a source of current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is reported as an expenditure in the governmental funds, however in the statement of net position it is reflected as a reduction of liabilities and does not affect the statement of activities. (Note 6)

Debt issuance for acquisition of lease assets (311,020)
 Repayment of debt principal for lease liabilities 88,492

Net payments to the credit facility use current financial resources from governmental funds, but decrease long-term liabilities in the statement of net position. (Note 4)

Net principal payments on credit facility 100,000
 Interest expense on credit facility (5,449)

Total change in net position of governmental activities \$ (317,324)

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

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Advanced Learning Charter School, Inc. is a Florida Not-For-Profit Corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The School operates a Charter School, Highly Inquisitive & Versatile Education (HIVE) Preparatory School (the "School"), located at 5855 NW 171 Street, Miami Gardens, Florida 33015, under a charter of the sponsoring school district, the School Board of Miami-Dade County, Florida (the "District"). The Governing Board of the School is the School's Board of Directors, which is comprised of four members. The board has determined that no component units exist that would require inclusion in the School's financial statements.

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

The School is located in Miami Gardens, Florida and provides educational services to students in kindergarten through eighth grade. These financial statements are for the year ended June 30, 2022, when on average, 843 students were enrolled for the year.

Basis of Presentation

The financial statements of the School are prepared in accordance with generally accepted accounting principles ("GAAP"). The School applies all relevant Governmental Accounting Standards Board ("GASB") *Codification of Accounting and Financial Reporting Guidance*. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

Government-wide and Fund Financial Statements

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

The statement of activities presents a comparison between the direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those that are clearly identifiable to a specific function. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements (Continued)

Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, expenditures and other financial sources and uses. The focus of the governmental fund financial statements is on major funds, which are reported in separate columns on the fund financial statements. Two of the School's funds are deemed to be major. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

Measurement Focus, Basis Of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized in the period earned and expenses are recognized when a liability is incurred.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Non-exchange transactions occur when the School gives (or receives) value without directly receiving (or giving) equal value in exchange. The School's revenues are generally non-exchange transactions and are recognized on the accrual basis in the fiscal year in which all eligibility requirements and conditions are met.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenue, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. A one-year availability period is used for revenue recognition for all other governmental fund revenues. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state or other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as an expenditure only when payment is due.

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(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis Of Accounting and Financial Statement Presentation (Continued)

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

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

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

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

Cash and Cash Equivalents

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

Due From Other Agencies

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

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction and school administration). Revisions to the annual budget are approved by the Board.

Capital Assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements at historical cost. Capital assets are defined by the School as assets with an initial combined cost of more than \$500 and an estimated useful life of more than two years. Donated capital assets are recorded at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed as incurred.

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 NOTES TO FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

Right-to-use lease assets are recorded at the lesser of fair value or the present value of the future minimum lease payments at the time of lease inception, and depreciated using the straight-line method over the lease term.

Long-term Obligations

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

Long-term liabilities at June 30, 2022 include a credit facility of approximately \$82,000 (Note 4) and the long-term portion of the School's lease liabilities of approximately \$12,200,000 (Note 6). Lease liabilities are recorded at the present value of the future minimum lease payments and amortized over the lease term. The liability represents the unamortized portion of the lease obligation.

Deferred Inflows/Outflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. Deferred outflows of resources represent consumption of resources that is applicable to future reporting periods that will be reported in a separate section after assets. Deferred inflows of resources represent acquisition of resources that is applicable to future reporting periods that will be reported in a separate section after liabilities. The School does not have any items that qualify for reporting in these categories.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position and Fund Balance Classifications

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

- *Net investment in capital assets* – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- *Restricted net position* – consists of balances with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments.
- *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for a specific purpose, it is the School’s policy to use restricted resources first, until exhausted, before using unrestricted resources. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

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

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

- *Non-spendable* – fund balance amounts associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All non-spendable fund balances at year end relate to assets not in spendable form.
- *Restricted* – fund balance amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- *Committed* – fund balance amounts that can be used only for the specific purposes determined by a formal action of the School’s Board of Directors. There are no committed fund balances at year end.
- *Assigned* – fund balance amounts that are intended to be used by the School for specific purposes, but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- *Unassigned* – fund balance is the residual classification for the School’s general fund and includes all spendable amounts not contained in other classifications.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have a negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes exceed the positive fund balance for the non-general fund.

Revenue Sources

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

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

The School also receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are reported as deferred revenues until expended.

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

Income Taxes

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

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

Use of Estimates

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

Advertising Costs

The School expenses all advertising costs as they are incurred. Total advertising costs for the year ended June 30, 2022 were approximately \$17,000.

New Accounting Standard Adopted

During the fiscal year 2022, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: Statement No. 87, Leases. See Note 5.

Management Review of Subsequent Events

In accordance with GASB Codification Section 2250.106, Management has evaluated subsequent events through September 15, 2022 the date when the financial statements were available to be issued.

NOTE 2 - CASH

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

FDIC deposit insurance covers the depositors of a failed FDIC-insured depository institution dollar-for-dollar, principal plus any interest accrued or due to the depositor, through the date of default, up to at least \$250,000 per depositor, per financial institution. Hive Preparatory Charter School maintains its cash and cash equivalents in two financial institutions. As of June 30, 2022, bank balances exceeding FDIC coverage was approximately \$1,428,000.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 - CAPITAL ASSETS

Changes in capital assets consist of the following:

	Balance at July 1, 2021	Additions	Disposals	Balance at June 30, 2022
Capital assets:				
Leasehold improvements	\$ 783,900	\$ 1,954	\$ -	\$ 785,854
Furniture, fixtures and equipment	435,389	57,974	-	493,363
Audio visual equipment	31,563	2,383	-	33,946
Computers and peripherals	933,682	66,219	-	999,901
Textbooks	468,870	185,121	-	653,991
Right-to-use lease assets	<u>12,168,520</u>	<u>311,020</u>	-	<u>12,479,540</u>
Total capital assets	<u>14,821,924</u>	<u>624,671</u>	-	<u>15,446,595</u>
Less accumulated depreciation:				
Leasehold improvements	(303,736)	(52,586)	-	(356,322)
Furniture, fixtures and equipment	(299,288)	(42,569)	-	(341,857)
Audio visual equipment	(13,313)	(6,157)	-	(19,470)
Computers and peripherals	(561,045)	(130,842)	-	(691,887)
Textbooks	(367,982)	(106,941)	-	(474,923)
Right-to-use lease assets	<u>(1,493,316)</u>	<u>(548,127)</u>	-	<u>(2,041,443)</u>
Total accumulated depreciation	<u>(3,038,680)</u>	<u>(887,222)</u>	-	<u>(3,925,902)</u>
Total governmental activities capital assets, net	<u>\$ 11,783,244</u>	<u>\$ (262,551)</u>	<u>\$ -</u>	<u>\$ 11,520,693</u>

Depreciation expense for the year ended June 30, 2022 was \$887,222 and is allocated in the statement of activities as follows:

Operation of plant - depreciation	\$ 566,055
Instruction	178,759
Facilities and acquisition	73,046
School administration	68,127
Food services	<u>1,235</u>
Total depreciation expense	<u>\$ 887,222</u>

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
 (A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
 NOTES TO FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 4 - CREDIT FACILITY

The School has a credit facility with BridgeRock Capital Corporation ("BridgeRock"), a related party (Note 6), in the amount of \$500,000. The credit facility bears interest at a rate of 5%, matures on June 30, 2024, and is collateralized by the corporate assets of the School. Under the terms of the credit facility, the School may draw advances in increments of \$25,000 up to the facility amount. The outstanding balance of the credit facility at June 30, 2022 was approximately \$82,000. Interest expense for the year then ended was approximately \$5,000 and is included in facilities acquisition and construction on the accompanying statement of activities. All principal and interest is due and payable on the maturity date.

NOTE 5 – IMPLEMENTATION OF GASB NO. 87

As of July 1, 2021, the School implemented GASB Statement No. 87, Leases. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Items previously reported as operating leases were reviewed to determine whether a lease liability and an intangible right-to-use ("RTU") lease asset exists. The School's leases for office equipment were identified as leases within the scope of GASB No. 87.

In accordance with the Statement, the School's operating leases were measured using the facts and circumstances that existed at the beginning of the period of implementation. Accordingly, the lease liabilities and RTU assets were measured using the remaining lease term and discount rate. New leases entered into during the 2022 fiscal year were recorded in accordance GASB Statement No. 87.

The government-wide net position was restated as a result of the implementation of GASB Statement No. 87 as follows:

	Fiscal Year June 30, 2021 (Original)	GASB Statement No. 87	Fiscal Year June 30, 2021 (Restated)
Change in net position	\$ (263,117)		\$ (263,117)
Net position, beginning	1,089,942		1,089,942
Restatement of beginning net position	<u>-</u>	<u>(2,413)</u>	<u>(2,413)</u>
Net position, ending	<u>\$ 826,825</u>		<u>\$ 824,412</u>

The fund balances were unaffected by the implementation of GASB Statement No. 87.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
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NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Leases

On October 29, 2009, the School entered into a Facility Lease with Palmetto KTP, LLC, a related party. On August 17, 2018, the School expanded the facility and amended the lease agreement to increase monthly rent payments and extend the lease expiration to August 17, 2043. Base rent of the lease escalates at a rate of 2.0% or CPI, whichever is greater.

The new facility, classified under the previous guidance as a capital lease, was recorded at the present value of the future minimum lease payments at the time of the lease extension. The leased facility is depreciated straight-line over the twenty-five year lease term. As of June 30, 2022, the property acquired under the right-to-use facility lease totaled \$10,080,000, net of accumulated depreciation of \$1,920,000, and is reported with capital assets in the statement of net position. Depreciation expense of \$480,000 is included in operation of plant - depreciation in the statement of activities.

As described in Note 5, the School leases office equipment under non-cancelable leases previously recorded as operating leases. Upon implementation of GASB Statement No. 87 on July 1, 2021, operating leases were reclassified in accordance with the amended guidance. The leased equipment is depreciated straight-line over their respective remaining lease terms. As of June 30, 2022, right-to-use equipment totaled \$358,097, net of accumulated depreciation of \$121,443, and is reported with capital assets in the statement of net position. Depreciation expense of \$68,127 is included in school administration in the statement of activities.

The future minimum lease payments due under the School's leases, together with the present value of the minimum lease payments, are as follows:

School Year	Facility Lease	Equipment Leases	Total Future Commitments
2022-2023	\$ 1,048,450	\$ 122,925	\$ 1,171,375
2023-2024	1,069,419	77,626	1,147,045
2024-2025	1,090,808	67,200	1,158,008
2025-2026	1,112,624	67,200	1,179,824
2026-2027	1,134,876	68,877	1,203,753
Thereafter	<u>21,706,388</u>	<u>-</u>	<u>21,706,388</u>
Total	27,162,565	403,828	27,566,393
Less amount representing interest	<u>15,139,490</u>	<u>41,664</u>	<u>15,181,154</u>
Present value of minimum lease payments	<u>\$12,023,075</u>	<u>\$ 362,164</u>	<u>\$ 12,385,239</u>

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The interest rate related to the facility lease liability is 8.36%, the rate implicit in the lease agreement. Interest expense for the year ended June 30, 2022 was \$1,005,873 and is allocated to operation of plant – interest on lease in the statement of activities.

The interest rate related to the lease liability resulting from leased equipment is 5%, the School's incremental borrowing rate. Interest expense for the year ended June 30, 2022 was \$8,500 and is allocated to school administration in the statement of activities.

Total rent expense for the year ended June 30, 2022 was approximately \$121,000. This amount includes triple net charges for common area maintenance, property insurance, management fees, and equipment overage charges.

Other Contingencies

The School receives substantially all of its funding from the District under the Florida Education Finance Program, which is based in part on a computation of the number of full-time equivalent students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the District, the District withholds an administrative fee of up to 2% of the qualifying revenues of the School. For the year ended June 30, 2022, administrative fees withheld by the District totaled approximately \$37,000.

NOTE 7 - RELATED PARTIES

BridgeRock is the provider of the credit facility to the School (Note 4). As of June 30, 2022, the School had an outstanding principal and accrued interest balance of approximately \$82,000. The School incurred interest expense of approximately \$5,000 during the year ended June 30, 2022.

BridgeRock Education LLC, a company related to BridgeRock by common ownership, provides management and administrative services to the School, including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting. The agreement is for a period of five years through June 30, 2023, and unless terminated by the board, shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2022, the School incurred approximately \$628,000 in management fees.

In addition, the School leases its facilities (Note 6) from Palmetto KTP, LLC, a company related to BridgeRock by common ownership. During the year ended June 30, 2022, the School made lease payments totaling approximately \$1,006,000 to Palmetto KTP, LLC.

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(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; general liabilities; and natural disasters for which the School carries commercial liability insurance. There have been no claims against the policy during the fiscal year ended June 30, 2022.

NOTE 9 – DEFINED CONTRIBUTION PLAN

The School maintains a contributory profit sharing plan (the "Plan") as defined under Section 401(k) of the U.S. Internal Revenue Code covering substantially all employees. In 2022, the School contributed 100% of the amount of elective deferral contributions that did not exceed 4% of eligible compensation, representing an increase from the 3% match previously offered. Employer contributions during the year ended June 30, 2022 totaled approximately \$95,000. John Hancock Life Insurance Company acts as the Plan's custodian.

Required Supplemental Information

HIVE PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET VS. ACTUAL - GENERAL FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

	Budget		Actual	Final Variance
	Original	Final		
Revenue:				
State passed through local school district	\$ 6,862,248	\$6,822,989	\$6,884,027	\$ 61,038
Local sources	222,045	328,000	343,506	15,506
Other revenue	<u>421,645</u>	<u>490,500</u>	<u>491,208</u>	<u>708</u>
Total Revenue	<u>7,505,938</u>	<u>7,641,489</u>	<u>7,718,741</u>	<u>77,252</u>
Expenditures:				
Instruction	3,411,130	3,614,241	3,644,526	30,285
Instruction and Curriculum Development	211,650	3,270	3,270	-
General Administration	57,074	278,500	284,483	5,983
School Administration	1,417,078	1,354,454	1,412,956	58,502
Facility Acquisition and Construction	54,466	21,515	32,979	11,464
Fiscal Services	695,511	690,678	640,077	(50,601)
Operation of Plant – Facility Lease Payments	548,646	471,144	457,842	(13,302)
Operation of Plant - Other	532,754	418,725	419,813	1,088
Maintenance of Plant	171,702	72,754	72,498	(256)
Community Services	185,432	223,404	245,232	21,828
Capital Outlay:				
Other Capital Outlay	<u>174,710</u>	<u>278,222</u>	<u>313,651</u>	<u>35,429</u>
Total Expenditures	<u>7,460,153</u>	<u>7,426,907</u>	<u>7,527,327</u>	<u>100,420</u>
Excess (Deficiency) of Revenue over Expenditures	45,785	214,582	191,414	(23,168)
<i>Other Financing Sources (Uses)</i>				
Proceeds from credit facility	-	-	(100,000)	(100,000)
Lease liability for acquisition of lease assets	-	-	311,020	311,020
Transfers in and (out)	<u>191,755</u>	<u>577</u>	<u>(18,210)</u>	<u>(18,787)</u>
Total Other Financing Sources (Uses)	<u>191,755</u>	<u>577</u>	<u>192,810</u>	<u>192,233</u>
Change in Fund Balance	237,540	215,159	73,204	(141,955)
Fund balance at the beginning of the year	<u>1,379,976</u>	<u>1,379,976</u>	<u>1,379,976</u>	<u>-</u>
Fund balance at the end of the year	<u>\$ 1,617,516</u>	<u>\$1,595,135</u>	<u>\$1,453,180</u>	<u>\$ (141,955)</u>

See accompanying notes to required supplemental information.

HIVE PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET VS. ACTUAL – SPECIAL REVENUE FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

	Budget		Actual	Final Variance
	Original	Final		
Revenue:				
Federal passed through local school district	\$ 755,085	\$ 767,751	\$ 801,386	\$ 33,635
State passed through local school district	546,795	558,856	570,050	11,194
Local sources	-	-	-	-
Total Revenue	<u>1,301,880</u>	<u>1,326,607</u>	<u>1,371,436</u>	<u>44,829</u>
Expenditures:				
Instruction	224,548	295,784	335,790	40,006
Instruction and Curriculum Development	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Facility Acquisition and Construction	-	-	-	-
Fiscal Services	-	-	-	-
Food Services	338,782	471,390	483,806	12,416
Operation of Plant - Facility Lease Payments	546,795	558,856	570,050	11,194
Operation of Plant - Depreciation	-	-	-	-
Operation of Plant - Other	-	-	-	-
Maintenance of Plant	-	-	-	-
Community Services	-	-	-	-
Capital Outlay:				
Other Capital Outlay	-	-	-	-
Total Expenditures	<u>1,110,125</u>	<u>1,326,030</u>	<u>1,389,646</u>	<u>63,616</u>
Excess (Deficiency) of Revenue over Expenditures	191,755	577	(18,210)	(18,787)
<i>Other Financing Sources (Uses)</i>				
Proceeds from credit facility	-	-	-	-
Lease liability for acquisition of lease assets	-	-	-	-
Transfers in and (out)	<u>(191,755)</u>	<u>(577)</u>	<u>18,210</u>	<u>18,787</u>
Total Other Financing Sources (Uses)	<u>(191,755)</u>	<u>(577)</u>	<u>18,210</u>	<u>18,787</u>
Change in Fund Balance	-	-	-	-
Fund balance at the beginning of the year	-	-	-	-
Fund balance at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to required supplemental information.

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - BUDGETARY INFORMATION

Basis of Accounting

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

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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Highly Inquisitive & Versatile Education Preparatory School
Miami Gardens, 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 Highly Inquisitive & Versatile Education (HIVE) Preparatory School (the "School") as of and for the year ended June 30, 2022, 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 15, 2022.

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 or significant deficiencies may exist that were not identified.

Report on 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PAAST, P.L.

Coral Gables, Florida
September 15, 2022

Management Letter



MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Highly Inquisitive & Versatile Education ("HIVE") Preparatory School (the "School"), Florida, as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated September 15, 2022.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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 15, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report

Official Title

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

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Highly Inquisitive & Versatile Education (HIVE) Preparatory School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify of the specific condition(s) met. In connection with our audit, we determined that Highly Inquisitive & Versatile Education (HIVE) Preparatory School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Highly Inquisitive & Versatile Education (HIVE) Preparatory School. It is management's responsibility to monitor Highly Inquisitive & Versatile Education (HIVE) Preparatory School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Transparency

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

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

PAAST, P.L.

Certified Public Accountants
Coral Gables Florida
September 15, 2022