

HIGHLY INQUISITIVE & VERSATILE EDUCATION (HIVE) PREPARATORY SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2015

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
TABLE OF CONTENTS
JUNE 30, 2015

Management's Discussion and Analysis (Unaudited)	1-6
Independent Auditor's Report.....	7-8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Position.....	12
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	14
Notes to Financial Statements	15-24
Required Supplemental Information	
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget vs. Actual – General Fund	26
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget vs. Actual – Special Revenue Fund.....	27
Notes to Required Supplemental Information.....	28
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	29-30
Management Letter	31-34
Management's Response to Audit Findings	35

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, 2015

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, 2015 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 9.

Financial Highlights

- Assets exceeded liabilities at the end of the fiscal year by \$559,744 (net position).
- Current assets exceeded current liabilities at the end of the fiscal year by \$663,006.
- The change in net position for the year ended June 30, 2015 was \$216,061.
- The unassigned fund balance at the end of the fiscal year was \$653,694.

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.

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, 2015

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 9 and 10 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 11 through 14 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 26 and 27 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 15 of this report.

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, 2015

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, 2015 and 2014, the School's assets exceeded liabilities by \$559,744 and \$343,683, respectively.

**HIVE Preparatory School
Statements of Net Position**

	Governmental Activities		
	<u>2015</u>	<u>2014</u>	<u>Variance</u>
ASSETS			
Cash and cash equivalents	\$ 672,850	\$ 543,479	\$ 129,371
Due from other agencies	58,803	50,952	7,851
Other assets	9,312	4,312	5,000
Capital assets, net of depreciation	<u>413,570</u>	<u>346,786</u>	<u>66,784</u>
Total assets	<u>\$ 1,154,535</u>	<u>\$ 945,529</u>	<u>\$ 209,006</u>
LIABILITIES			
Current and other liabilities	\$ 77,959	\$ 129,415	\$ (51,456)
Long-term liabilities	<u>516,832</u>	<u>472,431</u>	<u>44,401</u>
Total liabilities	<u>\$ 594,791</u>	<u>\$ 601,846</u>	<u>\$ (7,055)</u>
NET POSITION			
Investment in capital assets	\$ 413,570	\$ 346,786	\$ 66,784
Unrestricted (deficit)	<u>146,174</u>	<u>(3,103)</u>	<u>149,277</u>
Total net position	<u>\$ 559,744</u>	<u>\$ 343,683</u>	<u>\$ 216,061</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, 2015

Government-wide Financial Analysis (Continued)

**HIVE Preparatory School
Statement of Activities**

	<u>2015</u>	<u>2014</u>	<u>Variance</u>
Revenue:			
Federal through Local	\$ 411,884	\$ 354,162	\$ 57,722
State and Local	3,878,524	3,217,414	661,110
Other Revenue (including Charges for Services)	<u>336,847</u>	<u>337,433</u>	<u>(586)</u>
Total Revenue	<u>4,627,255</u>	<u>3,909,009</u>	<u>718,246</u>
Expenses:			
Instruction	1,852,933	1,668,413	184,520
Instruction & Curriculum Development	27,680	24,040	3,640
General Administration	49,583	172,371	(122,788)
School Administration	514,789	464,495	50,294
Facilities Acquisition and Construction	24,861	30,019	(5,158)
Fiscal Services	358,171	55,000	303,171
Food Services	407,641	279,595	128,046
Operation of Plant	923,955	711,468	212,487
Maintenance of Plant	33,284	11,746	21,538
Community Services	<u>218,297</u>	<u>186,504</u>	<u>31,793</u>
Total Expenses	<u>4,411,194</u>	<u>3,603,651</u>	<u>807,543</u>
Change in net position	216,061	305,358	(89,297)
Net position at the beginning of the year	<u>343,683</u>	<u>38,325</u>	<u>305,358</u>
Net position at the end of the year	<u>\$ 559,744</u>	<u>\$ 343,683</u>	<u>\$ 216,061</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.

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, 2015

Financial Analysis of the Governmental Funds (Continued)

The general fund is the chief operating fund of the School. At the end of the current fiscal year, the School's governmental general fund reported an ending fund balance of \$663,006, which is unassigned and available for spending at the School's discretion. These funds will be available for the School's future ongoing operations.

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	\$ 3,647,161	\$ 3,647,161	\$ 3,643,634
Charter Capital Outlay	162,562	162,562	163,097
Title 1	82,836	82,836	82,836
NSLP and Lunch Fees	333,859	343,000	351,864
After Care and Summer Program	275,442	280,442	273,039
Other Revenue	<u> -</u>	<u> 80,000</u>	<u> 112,785</u>
Gross Revenue	<u>4,501,860</u>	<u>4,596,001</u>	<u>4,627,255</u>
Expenditures:			
Instructional	1,955,556	1,853,557	1,811,149
Instruction & Curriculum Development	24,000	24,000	27,680
General Administration	62,915	52,915	49,583
School Administration	508,191	509,081	514,789
Facility Acquisition and Construction	30,000	16,000	16,062
Fiscal Services	332,000	332,000	358,171
Food Services	280,000	403,600	406,406
Operation of Plant	742,800	850,600	841,114
Maintenance of Plant	18,000	22,000	33,284
Community Services	196,120	194,635	218,297
Capital Outlay:			
Other Capital Outlay	<u> 170,000</u>	<u> 160,000</u>	<u> 157,042</u>
Total Expenditures	<u>4,319,582</u>	<u>4,418,388</u>	<u>4,433,577</u>
Excess Revenues over Expenditures	<u>\$ 182,278</u>	<u>\$ 177,613</u>	<u>\$ 193,678</u>

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year. The Final Budget was formulated based on actual FTE counts and staffing levels.

Capital Assets and Debt Administration

Capital Assets The School's investment in capital assets for its governmental activities as of June 30, 2015 was \$413,570, net of accumulated depreciation. This investment in capital assets includes 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 22 of this report.

Debt Administration The School's long-term liabilities at June 30, 2015 totaled \$516,832, which is related entirely to deferred rent associated with the School's Facility Lease. There was no outstanding balance against the Credit facility at June 30, 2015. Further discussions of the School's Credit facility and Facility Lease can found in Note 4 and Note 5, respectively, of the Financial Statements found on pages 22 and 23 of this report.

Accomplishments Highly Inquisitive & Versatile Education (HIVE) Preparatory School completed its sixth year of operations, receiving a grade of "A" from the Florida Department of Education in each of the years it was eligible to receive such grade. The School is ranked among the top public schools in Miami-Dade County, based on the points it received under the State of Florida Accountability Program. In June 2011, Advanced Learning Charter School was accredited by the Southern Association of Colleges and Schools (SACS). On September 10, 2013, HIVE was recognized by the Florida Department of Education as a High-Performing Charter School.

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Highly Inquisitive & Versatile Education (HIVE) Preparatory School, (the "School"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 of 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 evaluation of 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of HIVE Preparatory School as of June 30, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 26 through 27 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 August 29, 2015, 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.

PAAST, P.L.

Coral Gables, Florida
August 29, 2015

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ 672,850
Due from other agencies	58,803
Other assets	<u>9,312</u>
Total current assets	<u>740,965</u>

Noncurrent assets:

Capital assets, depreciable	792,982
Less: accumulated depreciation	<u>(379,412)</u>
Capital assets, net of depreciation	<u>413,570</u>

TOTAL ASSETS \$ 1,154,535

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable and accrued expenses	<u>\$ 77,959</u>
Total current liabilities	<u>77,959</u>

Long-term liabilities:

Deferred rent	<u>516,832</u>
---------------	----------------

TOTAL LIABILITIES 594,791

Net Position:

Investment in capital assets, net of related debt	413,570
Unrestricted	<u>146,174</u>
Total net position	<u>559,744</u>

TOTAL LIABILITIES AND NET POSITION \$ 1,154,535

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, 2015

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	\$ 1,852,933	\$ -	\$ 83,715	\$ -	\$ (1,769,218)
Instruction & Curriculum Development	27,680	-	-	-	(27,680)
General Administration	49,583	-	-	-	(49,583)
School Administration	514,789	-	-	-	(514,789)
Facilities Acquisition & Construction	24,861	-	-	-	(24,861)
Fiscal Services	358,171	-	-	-	(358,171)
Food Services	407,641	23,695	328,169	-	(55,777)
Operation of Plant	923,955	-	-	163,097	(760,858)
Maintenance of Plant	33,284	-	-	-	(33,284)
Community Services	218,297	273,039	-	-	54,742
Total Governmental activities	<u>\$ 4,411,194</u>	<u>\$ 296,734</u>	<u>\$ 411,884</u>	<u>\$ 163,097</u>	<u>(3,539,479)</u>
General revenue:					
State passed through local school district					3,715,427
Other revenue					40,113
					<u>3,755,540</u>
Change in net position					216,061
Net position, beginning					343,683
Net position, ending					<u>\$ 559,744</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, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 672,850	\$ -	\$ 672,850
Due from other agencies	-	58,803	58,803
Due from other fund	58,803	-	58,803
Other assets	<u>9,312</u>	<u>-</u>	<u>9,312</u>
 TOTAL ASSETS	 <u>\$ 740,965</u>	 <u>\$ 58,803</u>	 <u>\$ 799,768</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 77,959	\$ -	\$ 77,959
Due to other fund	<u>-</u>	<u>58,803</u>	<u>58,803</u>
 TOTAL LIABILITIES	 <u>77,959</u>	 <u>58,803</u>	 <u>136,762</u>
FUND BALANCES			
Non-spendable, not in spendable form	9,312	-	9,312
Unassigned	<u>653,694</u>	<u>-</u>	<u>653,694</u>
 TOTAL FUND BALANCES	 <u>663,006</u>	 <u>-</u>	 <u>663,006</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 740,965</u>	 <u>\$ 58,803</u>	 <u>\$ 799,768</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, 2015

Total Fund Balance - Governmental Funds \$ 663,006

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.

Long-term liabilities at year-end consist of:

Deferred rent (516,832)

Capital assets of \$792,982 (net of accumulated depreciation
of \$379,412) used in governmental activities are not financial
resources and therefore are not reported in governmental funds.

413,570

Total Net Position - Governmental Activities \$ 559,744

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, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Federal passed through local school district	\$ -	\$ 411,884	\$ 411,884
State passed through local school district	3,715,427	163,097	3,878,524
Aftercare and lunch fees	273,039	23,695	296,734
Other revenue	40,113	-	40,113
Total Revenue	<u>4,028,579</u>	<u>598,676</u>	<u>4,627,255</u>
Expenditures:			
Instruction	\$ 1,728,313	82,836	1,811,149
Instruction & Curriculum Development	27,680	-	27,680
General Administration	49,583	-	49,583
School Administration	514,789	-	514,789
Facilities Acquisition & Construction	16,062	-	16,062
Fiscal Services	358,171	-	358,171
Food Services	-	406,406	406,406
Operation of Plant	678,017	163,097	841,114
Maintenance of Plant	33,284	-	33,284
Community Services	218,297	-	218,297
Capital Outlay:			
Other Capital Outlay	157,042	-	157,042
Total Expenditures	<u>3,781,238</u>	<u>652,339</u>	<u>4,433,577</u>
Excess (Deficiency) of Revenue over Expenditures	247,341	(53,663)	193,678
<i>Other Financing (Uses)</i>			
Transfers in and (out)	<u>(53,663)</u>	<u>53,663</u>	<u>-</u>
Change in fund balance	193,678	-	193,678
Fund balance at the beginning of the year	469,328	-	469,328
Fund balance at the end of the year	<u>\$ 663,006</u>	<u>\$ -</u>	<u>\$ 663,006</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, 2015

Net change in fund balances - total governmental funds	\$ 193,678
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 \$157,042 differed from depreciation expense of \$90,258.	66,784
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Deferred Rent	<u>(44,401)</u>
Change in net position of governmental activities	<u>\$ 216,061</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.)
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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 School provides educational services to students in grades kindergarten through eighth. The Governing Board of the School is the School's Board of Directors, which is comprised of five members.

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, 2018 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.

Government-wide and fund financial statements

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures and other financial sources and uses.

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.

GASB Statement No. 65, *Items previously reported as assets and liabilities*, establishes accounting and financial reporting standards that reclassify as deferred outflows of resources of deferred inflows of resources, certain times that were previously reported as assets and liabilities.

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.

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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and fund financial statements (Continued)

Net position, the difference between total assets and total liabilities, as reported on the statement of net position, are subdivided into three categories: amounts invested in capital assets; restricted; and unrestricted. Components of net position are reported as restricted when constraints are imposed on the use of the amounts either internally by the School's Governing Board or externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

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. 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. 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.

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.

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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting and financial statement presentation (Continued)

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures and other financial sources and uses.

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.

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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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, 2015 include deferred rent of approximately \$517,000, which was recorded in accordance with Accounting Codification Standards 840-10 and 840-20, *Accounting for Leases*. These standards require that rent expense be recognized on a straight-line basis over the term of the lease. The liability represents the cumulative portion of rent expense that has been incurred in excess of payments made in accordance with the terms of the lease (Note 5).

Governmental Fund Balance Reporting

The Governmental Accounting Standards Board (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.

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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balance Reporting (Continued)

GASB 54 requires fund balance amounts to be properly 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.

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.

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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The School has not yet qualified for exempt status under section 501(c)3 of the Internal Revenue Code of 1954 (as amended). Management has filed for application and believes that the School meets the requirements for exemption. Management believes that future tax liability as a result of disqualification, if any, will be immaterial to the financial statements as a whole. Therefore, 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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (Continued)

Management identifies and evaluates potential uncertain tax positions to determine whether the probability exists that a tax position taken in a tax return would be sustained upon examination by a taxing authority. Reserves for uncertain tax positions are recorded if management determines it is probable either a position would not be sustained upon examination or if a payment would have to be made to a taxing authority and the amount was reasonably estimable. The School's federal and state income tax returns are generally subject to examination by taxing authorities for three years after the returns are filed, and the Company's federal and state income tax returns for 2012, 2013 and 2014 remain open to examination.

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.

Management Review of Subsequent Events

In accordance with GASB Codification Section 2250.106, Management has evaluated subsequent events through August 29, 2015, 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.

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, 2015

NOTE 3 - CAPITAL ASSETS

Changes in capital assets consist of the following:

	Balance at July 1, 2014	Additions	Disposals	Balance at June 30, 2015
Capital assets:				
Leasehold improvements	\$ 225,606	\$ 157,042	\$ -	\$ 382,648
Furniture, fixtures and equipment	174,602	-	-	174,602
Audio visual equipment	1,968	-	-	1,968
Computers and peripherals	183,479	-	-	183,479
Textbooks	<u>50,285</u>	<u>-</u>	<u>-</u>	<u>50,285</u>
Total capital assets	<u>635,940</u>	<u>157,042</u>	<u>-</u>	<u>792,982</u>
Less accumulated depreciation:				
Leasehold improvements	(38,269)	(24,303)	-	(62,572)
Furniture, fixtures and equipment	(102,598)	(24,943)	-	(127,541)
Audio visual equipment	(1,888)	(80)	-	(1,968)
Computers and peripherals	(131,750)	(24,170)	-	(155,920)
Textbooks	<u>(14,649)</u>	<u>(16,762)</u>	<u>-</u>	<u>(31,411)</u>
Total accumulated depreciation	<u>(289,154)</u>	<u>(90,258)</u>	<u>-</u>	<u>(379,412)</u>
Total governmental activities capital assets, net	<u>\$ 346,786</u>	<u>\$ 66,784</u>	<u>\$ -</u>	<u>\$ 413,570</u>

Depreciation expense for the period ended June 30, 2015 was \$90,258 and is allocated in the Statement of Activities as follows:

Instruction	\$ 41,785
Facilities Acquisition and Construction	8,799
Food Services	1,235
Operation of Plant	<u>38,439</u>
Total Depreciation Expense	<u>\$ 90,258</u>

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 expires on June 30, 2016 and is collateralized by the corporate assets of the School. Under the terms of the credit facility, the School may make draws in increments of \$25,000 up to the facility amount. There was no outstanding balance for the credit facility at June 30, 2015 and no interest expense was incurred for the year then ended.

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, 2015

NOTE 5 - COMMITMENTS AND CONTINGENCIES

On October 29, 2009, the School entered into a Facility Lease (the "Lease") with Palmetto KTP, LLC, a related party. The effective date of Lease is July 1, 2009 and ends on June 30, 2024. The lease provides for an additional fifteen (15) year option period, provided the School is in compliance with the term of Lease. Base rent of the lease escalates at a rate of 4.0% or CPI, whichever is greater.

On July 1, 2014, the School entered into a lease with International Bible Baptist Church. The term of the lease is three years and ends on June 30, 2017. The School also leases office equipment under non-cancelable operating leases. The approximate minimum future commitments under these leases are follows:

School Year	Future Commitments
2015-2016	\$ 551,000
2016-2017	570,000
2017-2018	524,000
2018-2019	534,000
2019-2020	556,000
Thereafter	<u>2,455,000</u>
Total	<u>\$ 5,190,000</u>

Total rent expense for the year ended June 30, 2015 was approximately \$621,000. This amount includes triple net charges for common area maintenance, property insurance and management fees.

Contingencies

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) 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.

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, 2015

NOTE 6 - RELATED PARTIES

BridgeRock is the provider of the credit facility (Note 4) to the School. During the year ended June 30, 2015, the School did not make any draws on or incur any interest for the note.

BridgeRock Education Corp., 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, 2019, and unless terminated by the board, shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2015, the School incurred approximately \$358,000 in management fees.

In addition, the School leases its facilities (Note 5) from Palmetto KTP, LLC, a company related to BridgeRock by common ownership. During the year ended June 30, 2015, the School incurred rent expense of approximately \$550,000 with Palmetto KTP, LLC.

Pursuant to the Charter School contract with the District, the District withholds an administrative fee of the qualifying revenues of the School. For the year ended June 30, 2015, administrative fees withheld by the District totaled approximately \$31,000.

NOTE 7 – 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, 2015.

NOTE 8 – 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 2015, the School contributed 100% of the amount of elective deferral contributions that did not exceed 3% of eligible compensation and 50% of the amount of elective deferral contributions above 3% to a maximum of 4% of eligible compensation. Employer contributions during the year ended June 30, 2015 totaled approximately \$36,000. John Hancock Life Insurance Company acts as the Plan's custodian.

Required Supplemental Information

HIGHLY INQUISITIVE & VERSATILE EDUCATION 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
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual	Final Variance
	Original	Final		
Revenue:				
State passed through local school district	\$ 3,647,161	\$ 3,692,161	\$ 3,715,427	\$ 23,266
Local sources	275,442	280,442	273,039	(7,403)
Other revenue	-	35,000	40,113	5,113
Gross Revenue	<u>3,922,603</u>	<u>4,007,603</u>	<u>4,028,579</u>	<u>20,976</u>
Expenditures:				
Instruction	1,877,556	1,773,557	1,728,313	(45,244)
Instruction & Curriculum Development	24,000	24,000	27,680	3,680
General Administration	62,915	52,915	49,583	(3,332)
School Administration	508,191	509,081	514,789	5,708
Facility Acquisition & Construction	30,000	16,000	16,062	62
Fiscal Services	332,000	332,000	358,171	26,171
Food Services	-	-	-	-
Operation of Plant	582,800	690,600	678,017	(12,583)
Maintenance of Plant	18,000	22,000	33,284	11,284
Community Services	196,120	194,635	218,297	23,662
Capital Outlay:				
Other Capital Outlay	<u>170,000</u>	<u>160,000</u>	<u>157,042</u>	<u>(2,958)</u>
Total Expenditures	<u>3,801,582</u>	<u>3,774,788</u>	<u>3,781,238</u>	<u>6,450</u>
Excess (Deficiency) of Revenue over Expenditures	121,021	232,815	247,341	14,526
<i>Other Financing Sources</i>				
Transfers in and (out)	<u>-</u>	<u>-</u>	<u>(53,663)</u>	<u>(53,663)</u>
Change in Fund Balance	121,021	232,815	193,678	(39,137)
Fund balance at the beginning of the year	<u>469,328</u>	<u>469,328</u>	<u>469,328</u>	<u>-</u>
Fund balance at the end of the year	<u>\$ 590,349</u>	<u>\$ 702,143</u>	<u>\$ 663,006</u>	<u>\$ (39,137)</u>

See accompanying notes to required supplemental information.

HIGHLY INQUISITIVE & VERSATILE EDUCATION 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
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual	Final Variance
	Original	Final		
Revenue:				
Federal passed through local school district	\$ 392,695	\$ 401,836	\$ 411,884	\$ 10,048
State passed through local school district	162,562	162,562	163,097	535
Local sources	24,000	24,000	23,695	(305)
Gross Revenue	<u>579,257</u>	<u>588,398</u>	<u>598,676</u>	<u>10,278</u>
Expenditures:				
Instruction	78,000	80,000	82,836	2,836
Instruction & Curriculum Development	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Facility Acquisition & Construction	-	-	-	-
Fiscal Services	280,000	403,600	-	(403,600)
Food Services	160,000	160,000	406,406	246,406
Operation of Plant	-	-	163,097	163,097
Maintenance of Plant	-	-	-	-
Community Services	-	-	-	-
Capital Outlay:				
Other Capital Outlay	-	-	-	-
Total Expenditures	<u>518,000</u>	<u>643,600</u>	<u>652,339</u>	<u>8,739</u>
Excess (Deficiency) of Revenue over Expenditures	61,257	(55,202)	(53,663)	1,539
<i>Other Financing Sources</i>				
Transfers in and (out)	(61,257)	55,202	53,663	(1,539)
Repayment of Credit Facility	-	-	-	-
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, 2015

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, 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 and each major fund of Highly Inquisitive & Versatile Education (HIVE) Preparatory School (the "School") which comprise the statement of net position as of June 30, 2015, and the related statements of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

We noted certain matters that we reported to management of the School in a separate letter dated August 29, 2015.

PAAST, P.L.

Coral Gables, Florida
August 29, 2015



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 the Highly Inquisitive & Versatile Education (HIVE) Preparatory School (the "School"), Florida, as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated August 29, 2015.

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.

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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 August 29, 2015, 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, except as noted below under the heading *Prior Year Findings and Recommendations*.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the school.

- The official title of the school is Highly Inquisitive & Versatile Education (HIVE) Preparatory School.

Financial Condition

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, requires that we report the results of our determination as to whether or not the charter school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of 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 charter school. It is management's responsibility to monitor the charter 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.

- We have applied such procedures and no deteriorating financial condition has been noted.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the charter 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.

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit we noted the following:

- 2015-01 Fixed Asset Tracking: The School does not track fixed asset purchases or record corresponding depreciation. We recommend that the School use a fixed asset module of an integrated accounting software system that includes all the School's fixed assets.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address 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.

PAAST, P.L.

Certified Public Accountants
Coral Gables Florida
August 29, 2015

Honorable Board of Directors of
Highly Inquisitive & Versatile Education Preparatory School

Prior Year Findings and Recommendations

2012-02: Income Tax Status

As noted during the prior year, the School had not yet filed for exemption under section 501(c)3 of the Internal Revenue Code.

- As of the 2015 audit report, the School has filed for exemption under section 501(c)3 of the Internal Revenue Code, but has yet to receive notice of qualification.

PAAST, P.L.

Certified Public Accountants
Coral Gables Florida
August 29, 2015

HIGHLY INQUISITIVE & VERSATILE EDUCATION PREPARATORY SCHOOL
(A CHARTER SCHOOL UNDER ADVANCED LEARNING CHARTER SCHOOL, INC.)
MANAGEMENT'S RESPONSE TO AUDIT FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

The following is the School's response to the items noted in the 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 and Management Letter dated August 29, 2015, as required by Rule 10.857, Rules of the Auditor General.

2012-02

The School has filed for exempt status under section 501(c)3 of the Internal Revenue Code for the 2014-2015 school year; however, the School has not received notice of qualification from the Internal Revenue Service.

Response

Management has filed the required forms with the IRS to obtain 501(c)3 status and has confirmed receipt. As of the date of this audit report, the School has not been notified on the status of its application.

2015-01

The School does not track fixed asset purchases or record corresponding depreciation. We recommend that the School use a fixed asset module of an integrated accounting software system that includes all the School's fixed assets.

Response

Management will adhere to the auditor's recommendation and begin tracking all fixed asset purchases starting with the 2015-2016 school year.