



**FLORIDA AUTISM CENTER OF EXCELLENCE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF
HILLSBOROUGH COUNTY, FLORIDA**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS THEREON**

JUNE 30, 2014



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Florida Autism Center of Excellence, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School's total net position decreased compared to the prior year.
- For the fiscal year ended June 30, 2014, the School's expenses exceeded revenues by \$262,838, which is a decrease from the prior year when revenues exceeded expenses by \$38,536.
- Overall, revenues decreased by approximately \$66,000, which was a 4% decrease from the prior year.
- Overall, expenses increased by approximately \$235,000, which was a 13% increase from the prior year.
- Total assets were \$320,431, and total liabilities were \$351,338, resulting in a net position of (\$30,907) as of June 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes 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*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	<u>Government-wide Statements</u>	<u>Fund Statements Governmental Funds</u>
Scope	Entire School	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net position Statement of activities	Balance sheet – governmental funds Statement of revenues, expenditures and changes in fund balances – governmental funds
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets and deferred outflows of resources, and its liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position – the difference between the School's assets and deferred outflows of resources and its liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School currently has one type of fund:

- *Governmental funds* – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position as of June 30, 2014 and is summarized as follows – see table below.

	Governmental Activities		Increase (Decrease)
	2014	2013	
Current and other assets	\$ 158,357	\$ 295,756	-46%
Capital assets, net	162,074	186,879	-13%
Total assets	<u>\$ 320,431</u>	<u>\$ 482,635</u>	<u>-34%</u>
Current and other liabilities	<u>\$ 351,338</u>	<u>\$ 250,704</u>	<u>40%</u>
Net position:			
Net investment in capital assets	162,074	186,879	-13%
Unrestricted	<u>(192,981)</u>	<u>45,052</u>	<u>-528%</u>
Total net position	<u>(30,907)</u>	<u>231,931</u>	<u>-113%</u>
Total liabilities and net position	<u>\$ 320,431</u>	<u>\$ 482,635</u>	<u>-34%</u>

Current and other assets decreased due to the decrease in cash as a result of the current year operating deficit and a decrease in accounts receivable. Net capital assets decreased due to depreciation expense in excess of capital asset purchases. Current and other liabilities increased primarily due to an increase in the amount due to Quest, Inc. for management and payroll expenses. The change in net position was due to the current year operating deficit and the activity noted above.

Change in Net Position

For the year ended June 30, 2014, the School's total revenues exceeded total expenses by \$262,838 – see table below.

	Governmental Activities		Increase (Decrease)
	2014	2013	
Revenues:			
Federal sources passed through local school district	\$ 20,739	\$ 32,717	-37%
State and local sources	1,681,680	1,727,310	-3%
Contributions and other revenue	53,101	61,713	-14%
Total revenues	1,755,520	1,821,740	-4%
Expenses:			
Instruction	977,948	857,549	14%
Student personnel services	290,371	235,108	24%
Instructional staff training services	10,046	1,003	902%
Board	19,201	17,037	13%
General administration	268,440	278,088	-3%
School administration	169,403	142,543	19%
Food services	10,175	8,200	24%
Student transportation services	42,513	35,570	20%
Operation of plant	196,595	171,127	15%
Maintenance of plant	11,888	4,770	149%
Community services	21,778	32,209	-32%
Total expenses	2,018,358	1,783,204	13%
Change in net position	\$ (262,838)	\$ 38,536	-782%

Total revenues decreased primarily due to a decrease in enrollment. Instructional expenses increased due to an increase in salaries and related expenses. Student personnel services increased due to additional behavioral analyst services. School administration increased due to having a school director for the entire school year, whereas the position was vacant for part of the prior year. Operation of plant increased due to increases in insurance, rent and janitorial expenses.

Certain reclassifications were made in the amounts to conform to their classifications in fiscal year 2014.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund deficit of \$192,981. Revenues decreased and expenditures increased overall for the same reasons described above.

General Fund Budgetary Highlights

For the year ended June 30, 2014, actual revenues were approximately \$297,000 below the budgeted amounts primarily due to lower than expected enrollment.

Actual expenditures were approximately \$26,000 less than the budgeted amounts primarily due to lower than expected enrollment.

CAPITAL ASSET ADMINISTRATION

At the end of fiscal 2014, the School had invested \$507,253 in capital assets, including leasehold improvements, furniture, fixtures and equipment, and motor vehicles. There were no major capital asset additions or disposals during fiscal 2014. More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2015:

- Projected increase in student enrollment and the amount of per student funding
- Decrease in management services expenditures

Amounts available for appropriation in the general fund are approximately \$1,770,000, a 4% increase from the actual 2014 amount of \$1,695,817. This increase is primarily due to an expected increase in student enrollment.

Budgeted general fund expenditures are expected to decrease to approximately \$1,763,000, a 9% decrease from the actual 2014 amount of \$1,933,850. The School expects to enter into an amended management agreement with Quest, Inc., which would be effective as of July 1, 2014. The revised management agreement would forgive approximately \$158,000 of the amount payable to Quest, Inc. as of June 30, 2014. In addition, the revised management agreement would reduce management fees as the School anticipates having existing staff provide similar services to those currently provided by Quest, Inc. The School has added no major new programs to the fiscal 2015 budget.

If these estimates are realized, the School's general fund balance is expected to increase by the close of fiscal 2015.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at Quest, Inc., 500 East Colonial Drive, Orlando, Florida 32803.

Independent Auditor's Report on Basic Financial Statements and Supplementary Information

To the Board of Directors of Florida Autism Center of Excellence, Inc.,
a Charter School and Component Unit of the District School Board
of Hillsborough County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Florida Autism Center of Excellence, Inc. (the "School"), a charter school and component unit of the District School Board of Hillsborough, Florida, as of and for the year ended June 30, 2014, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Florida Autism Center of Excellence, Inc. as of June 30, 2014, and the respective changes in financial position thereof 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 on pages 1 – 6 and the budgetary comparison information on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014 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.

BKHM, P.A.

Winter Park, Florida
September 25, 2014

**FLORIDA AUTISM CENTER OF EXCELLENCE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 76,540
Accounts receivable	81,817
Capital assets:	
Leasehold improvements	252,301
Furniture, fixtures and equipment	245,964
Motor vehicles	8,988
Less accumulated depreciation	(345,179)
Total capital assets, net	162,074
Total assets	\$ 320,431
LIABILITIES	
Accounts payable and accrued expenses	\$ 351,338
Total liabilities	351,338
NET POSITION	
Net investment in capital assets	162,074
Unrestricted	(192,981)
Total net position	(30,907)
Total liabilities and net position	\$ 320,431

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA AUTISM CENTER OF EXCELLENCE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction	\$ 977,948	\$ -	\$ 20,739	\$ (957,209)
Student personnel services	290,371	-	-	(290,371)
Instructional staff training services	10,046	-	-	(10,046)
Board	19,201	-	-	(19,201)
General administration	268,440	-	-	(268,440)
School administration	169,403	-	-	(169,403)
Food services	10,175	1,345	-	(8,830)
Student transportation services	42,513	-	-	(42,513)
Operation of plant	196,595	-	-	(196,595)
Maintenance of plant	11,888	-	-	(11,888)
Community services	21,778	21,778	-	-
Total primary government	\$ 2,018,358	\$ 23,123	\$ 20,739	\$ (1,974,496)
General revenues:				
State and local sources				1,681,680
Contributions and other revenue				29,978
Total general revenues				1,711,658
Change in net position				(262,838)
Net position at the beginning of year				231,931
Net position at end of year				\$ (30,907)

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA AUTISM CENTER OF EXCELLENCE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 76,540	\$ -	\$ 76,540
Accounts receivable	78,393	3,424	81,817
Due from other governmental funds	3,424	-	3,424
Total assets	\$ 158,357	\$ 3,424	\$ 161,781
 LIABILITIES AND FUND BALANCES (DEFICIT)			
Accounts payable and accrued expenditures	\$ 351,338	\$ -	\$ 351,338
Due to general fund	-	3,424	3,424
Total liabilities	351,338	3,424	354,762
Fund balances (deficit):			
Unassigned	(192,981)	-	(192,981)
Total fund balances (deficit)	(192,981)	-	(192,981)
Total liabilities and fund balances (deficit)	\$ 158,357	\$ 3,424	\$ 161,781

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA AUTISM CENTER OF EXCELLENCE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2014

Total fund balances (deficit) - governmental funds \$ (192,981)

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$507,253, and the accumulated depreciation is \$345,179.

162,074

Total net position - governmental activities

\$ (30,907)

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA AUTISM CENTER OF EXCELLENCE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Federal sources passed through local school district	\$ -	\$ 20,739	\$ 20,739
State and local sources	1,642,716	38,964	1,681,680
Contributions and other revenue	53,101	-	53,101
Total revenues	<u>1,695,817</u>	<u>59,703</u>	<u>1,755,520</u>
EXPENDITURES			
Current:			
Instruction	930,317	20,739	951,056
Student personnel services	290,371	-	290,371
Instructional staff training services	10,046	-	10,046
Board	19,201	-	19,201
General administration	268,440	-	268,440
School administration	165,915	-	165,915
Food services	10,175	-	10,175
Student transportation services	42,513	-	42,513
Operation of plant	157,631	38,964	196,595
Maintenance of plant	11,888	-	11,888
Community services	21,778	-	21,778
Capital outlay	5,575	-	5,575
Total expenditures	<u>1,933,850</u>	<u>59,703</u>	<u>1,993,553</u>
Net changes in fund balances	(238,033)	-	(238,033)
Fund balances at beginning of year	45,052	-	45,052
Fund balances (deficit) at end of year	<u>\$ (192,981)</u>	<u>\$ -</u>	<u>\$ (192,981)</u>

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA AUTISM CENTER OF EXCELLENCE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2014

Net changes in fund balances - total governmental funds \$ (238,033)

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

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives and reported as depreciation
expense. This is the amount by which depreciation expense (\$30,380)
exceeds capital outlays (\$5,575) in the current period.

(24,805)

Change in net position of governmental activities

\$ (262,838)

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA AUTISM CENTER OF EXCELLENCE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Florida Autism Center of Excellence, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. During fiscal year 2013, the School changed its name from Florida Autism Charter School of Excellence, Inc. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of no less than three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Hillsborough County, Florida (the "School Board"). The current charter is effective until June 30, 2017 and may be renewed by mutual agreement of the parties. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education ("FDOE") to be redistributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Basis of presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

**FLORIDA AUTISM CENTER OF EXCELLENCE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled.

The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund – to account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

For purposes of these statements, the general fund is considered a major fund. The special revenue and capital projects funds are considered non-major and are included in the aggregate as the other governmental funds.

Basis of accounting

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

**FLORIDA AUTISM CENTER OF EXCELLENCE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Budgetary basis accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

Cash and cash equivalents

The School maintains its cash accounts in a financial institution subject to insurance coverage issued by the Federal Deposit Insurance Corporation (the "FDIC"). Under FDIC rules, the School is entitled to aggregate coverage of \$250,000 per account type per separate legal entity per financial institution. As of June 30, 2014, all cash balances were fully insured by the FDIC. The School has not historically experienced losses on its cash and cash equivalents. Investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

Receivables

Receivables consist of amounts due from governmental agencies for capital outlay or other programs. Allowances are reported when management estimates that accounts may be uncollectible.

Capital assets and depreciation

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at their approximate fair value at the date of donation.

**FLORIDA AUTISM CENTER OF EXCELLENCE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

	<u>Years</u>
Leasehold improvements	15
Furniture, fixtures and equipment	3 – 7
Motor vehicles	5

Fund balance spending policy

The School’s adopted spending policy is to spend from the restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Directors. There are no minimum fund balance requirements for any of the School’s funds.

Revenue sources

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the School’s charter. As such, the School’s revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the FDOE by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent (“FTE”) students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of FTE students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated FTE student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the -2014 school year, the School reported 95.50 un-weighted FTE. Weighted funding represented approximately 66% of total state funding.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

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

- Attendance and membership documentation (Rule 6A-1.044, FAC)
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC)
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC)
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC)
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC)

The School receives federal or state 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 or state 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.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net position and restricted fund balance in the accompanying statement of net position and balance sheet – governmental funds, respectively.

Income taxes

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is “more likely than not” that its tax positions will be sustained upon an examination by the Internal Revenue Service (“IRS”) or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same “more likely than not” measurement threshold. With few exceptions, the School is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2010.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the balance sheet and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates

Subsequent events

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through September 25, 2014, which is the date the financial statements were available to be issued.

2 ACCOUNTS RECEIVABLE

Receivables consist of amounts due from governmental agencies for various programs. Based on collectibility of funds from these sources, management believes that an allowance for doubtful accounts is not considered necessary.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

3 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Leasehold improvements	\$ 252,301	\$ -	\$ -	\$ 252,301
Furniture, fixtures and equipment	240,389	5,575	-	245,964
Motor vehicles	8,988	-	-	8,988
Total capital assets being depreciated	<u>501,678</u>	<u>5,575</u>	<u>-</u>	<u>507,253</u>
Less accumulated depreciation for:				
Leasehold improvements	(89,382)	(17,521)	-	(106,903)
Furniture, fixtures and equipment	(216,429)	(12,859)	-	(229,288)
Motor vehicles	(8,988)	-	-	(8,988)
Total accumulated depreciation	<u>(314,799)</u>	<u>(30,380)</u>	<u>-</u>	<u>(345,179)</u>
Governmental activities capital assets, net	<u>\$ 186,879</u>	<u>\$ (24,805)</u>	<u>\$ -</u>	<u>\$ 162,074</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 26,892
School administration	<u>3,488</u>
Total governmental activities depreciation expense	<u>\$ 30,380</u>

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

4 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

The following is a schedule of state and local revenue sources and amounts:

District School Board of Hillsborough County, Florida:	
Florida Education Finance Program	\$ 897,038
ESE guaranteed allocation	295,414
Class size reduction	259,770
Discretionary local effort	54,368
Teacher salary allocation	39,174
Capital outlay	38,964
Student transportation	34,115
Supplemental academic instruction	18,623
Discretionary millage funds	12,627
School recognition	10,804
Instructional materials	7,468
Safe schools	3,781
Teacher training	3,600
Teacher lead funds	2,928
Discretionary lottery funds	2,205
Additional allocation	<u>801</u>
Total	<u>\$ 1,681,680</u>

The administration fee paid to the School Board during the year ended June 30, 2014 totaled approximately \$27,000 and is included as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

5 RELATED PARTY TRANSACTIONS

Effective July 1, 2009, the School entered into a management contract with Life Concepts, Inc. (doing business as Quest, Inc.), a related party, to provide the School with the following services: curriculum and testing, personnel administration, training, contract administration, accounting, payroll administration, management information systems, maintenance of the charter, and general management of the School's operations. The contract was for a three-year period ending June 30, 2012. In June 2012, the School exercised a renewal option to extend the management agreement until June 30, 2017 (see Note 8). The contract calls for an annual management fee of 14% of the School's gross revenue, to be paid in monthly installments. The School is staffed with Quest, Inc. employees, for which the School reimburses Quest, Inc. for all payroll costs.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Management fees during the year ended June 30, 2014 totaled approximately \$239,000 and are included as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. Amounts payable to Quest, Inc. as of June 30, 2014 totaled approximately \$312,000 for management fees and accrued payroll and are included in accounts payable and accrued expenses/expenditures in the accompanying statement of net position and balance sheet – governmental funds.

Quest, Inc. entered into a lease agreement for the facility used by the School. The lease was amended and effective April 1, 2014 and requires monthly rent payments of \$11,058. The School pays the monthly rent on behalf of Quest, Inc. Rental expense for the year ended June 30, 2014 totaled approximately \$128,000, which is reflected as an operation of plant expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

6 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, general liability, professional liability, employee health and hospitalization and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

7 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2014 may be impaired.

The School Board underwent an audit of its full-time equivalent students and teacher certification for the 2009 fiscal year performed by the Auditor General of the State of Florida. The School was a part of the sample tested in that audit. Findings were noted regarding the exceptional students classification and teacher certification. The resulting findings called for the School to pay back \$124,460 to the FDOE. The School was also audited for similar matters for the 2011 fiscal year, which called for the School to pay back an additional \$68,966 to the FDOE. The School has contested the findings with the School Board and is awaiting resolution to their appeals. No liability has been recorded in the accompanying financial statements relating to these audit findings.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

In the opinion of the School, there are no other significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

8 FINANCIAL CONDITION

As shown in the accompanying financial statements, the School has incurred significant losses from operations, and as of June 30, 2014, the School has a total net position of (\$30,907) and an unrestricted net position of (\$192,981). This condition raised substantial doubt about the School's ability to continue as a going concern. The School expects to enter into an amended management agreement with Quest, Inc., which would be effective as of July 1, 2014. The revised management agreement would forgive approximately \$158,000 of the amount payable to Quest, Inc. as of June 30, 2014. The revised management agreement would also reduce management fees as the School anticipates having existing staff provide similar services to those currently provided by Quest, Inc. Before inclusion of the \$158,000 liability forgiveness but including the reduced management fees, the School's 2015 budget projects a surplus of approximately \$7,000. The School believes these factors will contribute toward recovering from the net position deficit. The accompanying financial statements do not include any adjustments that might be necessary if the School is unable to continue as a going concern.

**FLORIDA AUTISM CENTER OF EXCELLENCE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
State and local sources	\$ 1,921,285	\$ 1,921,285	\$ 1,642,716	\$ (278,569)
Contributions and other revenue	70,000	71,485	53,101	(18,384)
Total revenues	<u>1,991,285</u>	<u>1,992,770</u>	<u>1,695,817</u>	<u>(296,953)</u>
EXPENDITURES				
Current:				
Instruction	1,145,036	1,019,590	930,317	89,273
Student personnel services	136,000	136,000	290,371	(154,371)
Instruction and curriculum development	-	190,139	-	190,139
Instructional staff training services	-	-	10,046	(10,046)
Board	17,300	17,300	19,201	(1,901)
General administration	316,833	316,833	268,440	48,393
School administration	168,269	92,575	165,915	(73,340)
Fiscal services	-	13,000	-	13,000
Food services	7,500	7,500	10,175	(2,675)
Student transportation services	36,000	36,000	42,513	(6,513)
Operation of plant	131,135	90,805	157,631	(66,826)
Maintenance of plant	-	40,330	11,888	28,442
Community services	-	-	21,778	(21,778)
Capital outlay	-	-	5,575	(5,575)
Total expenditures	<u>1,958,073</u>	<u>1,960,072</u>	<u>1,933,850</u>	<u>26,222</u>
Net change in fund balance	33,212	32,698	(238,033)	(270,731)
Fund balance at beginning of year	45,052	45,052	45,052	-
Fund balance (deficit) at end of year	<u>\$ 78,264</u>	<u>\$ 77,750</u>	<u>\$ (192,981)</u>	<u>\$ (270,731)</u>

See independent auditor's report.

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 Florida Autism Center of Excellence, Inc.,
a Charter School and Component Unit of the District School Board
of Hillsborough County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Florida Autism Center of Excellence, Inc. (the "School"), a charter school and component unit of the District School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2014, 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 25, 2014.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

BKHM, P.A.

Winter Park, Florida
September 25, 2014

**ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE AUDITOR GENERAL,
CHAPTER 10.850**

To the Board of Directors of Florida Autism Center of Excellence, Inc.,
a Charter School and Component Unit of the District School Board
of Hillsborough County, Florida

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Florida Autism Center of Excellence, Inc. (the "School"), a charter school and component unit of the District School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2014, and have issued our report thereon dated September 25, 2014.

Auditor's Responsibility

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

Other Reporting Required by *Government Auditing Standards*

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 Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 25, 2014, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding annual financial audit report.

Financial Condition

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions 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.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The financial condition assessment was done as of the fiscal year-end. The financial condition assessment procedures disclose that the School's overall financial condition is deteriorating.



The following is noted:

Finding 2014-01:

Criteria:

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for the School.

Statement of condition:

During our financial condition assessment procedures, we determined that there is a deficit in unreserved fund balance as of June 30, 2014 for which sufficient resources of the School are not available to cover the deficit.

Cause of condition:

The School is not managing its financial condition effectively.

Effect or potential effect of condition:

The School's deteriorating financial condition may cause one of the financial emergencies described in Florida Statutes, Section 218.503 to occur if actions are not taken to address such condition.

Recommendation:

We recommend that the School develop a plan, such as the revised management agreement the School anticipates entering into with Quest, Inc., which will improve the School's financial condition and by increasing revenues and decreasing expenditures to the extent that sufficient resources are generated to cover the existing deficit fund balance.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the School maintains on its web site the 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. Our recommendations to improve financial management are included in finding 2014-01 above.

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.

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the school. The name of the School is Florida Autism Center of Excellence, Inc.

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 of the School and is not intended to be and should not be used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
September 25, 2014