



**ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF  
MIAMI-DADE COUNTY, FLORIDA**

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

**JUNE 30, 2013**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Academy of International Education Charter School (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The School's total net position increased compared to the prior year.
- For the fiscal year ended June 30, 2013, the School's revenues exceeded expenses by \$139,893, which is an increase from the prior year when revenues exceeded expenses by \$8,823.
- Overall, revenues increased by approximately \$1,200,000, which was a 136% increase from the prior year.
- Overall, expenses increased by approximately \$1,100,000, which was a 122% increase from the prior year.
- Total assets were \$304,109, and total liabilities were \$155,393, resulting in a net position of \$148,716 as of June 30, 2013.

### 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.

	Government-wide Statements	Fund Statements Governmental Funds
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 Statement of revenues, expenditures and changes in fund balances
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, 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 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, deferred outflows of resources, 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 is 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 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, 2013 and 2012 is summarized as follows – see table below.

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2013</b>	<b>2012</b>	
Current and other assets	\$ 273,592	\$ 69,975	291%
Capital assets, net	30,517	-	100%
Total assets	304,109	69,975	335%
Current and other liabilities	115,834	61,152	89%
Long-term liabilities	39,559	-	100%
Total liabilities	155,393	61,152	154%
Net position:			
Unrestricted	148,716	8,823	1586%
Total net position	\$ 148,716	\$ 8,823	1586%

Current and other assets of the School increased due to the current year operating surplus and due to an increase in current and other liabilities, which increased due to an increase in the payroll accrual as a result of the increased staff size. Capital assets, net and long-term liabilities increased due to improvements to the School's facility. The change in total net position was due to the current year operating surplus and activity noted above.

## Change in Net Assets

The School's total revenues increased by 136% to \$2,065,346, and the total cost of all programs and services increased by 122% to \$1,925,453 – see table below.

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2013</b>	<b>2012</b>	<b>(Decrease)</b>
Revenues:			
Federal sources	\$ 181,087	\$ 4,644	3799%
State and local sources	1,842,030	844,653	118%
Contributions and other revenue	42,229	25,174	68%
Total revenues	2,065,346	874,471	136%
Expenses:			
Instruction	1,101,189	523,440	110%
Instructional media	4,898	8,254	-41%
Instruction and curriculum development services	19,972	-	100%
Instruction related technology	39,782	-	100%
Board	17,500	1,596	996%
General administration	219,635	99,419	121%
School administration	336,323	118,639	183%
Pupil transportation services	1,160	1,110	5%
Operation and maintenance of plant	183,978	113,190	63%
Community services	1,016	-	100%
Total expenses	1,925,453	865,648	122%
Change in net position	\$ 139,893	\$ 8,823	1486%

Federal funding increased due to the addition of start-up funds in the current year. State and local sources increased due to an increase in student enrollment. Contributions and other revenue increased primarily due to increased donations as a result of additional fundraisers in the current year.

Substantially all expenses increased due to additional spending required to meet the needs of an increased student body during the School's second year of operations.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the period, its governmental funds reported a combined fund balance of \$157,758. Both revenues and expenditures increased overall for the same reasons described above.

## General Fund and Special Revenue Fund Budgetary Highlights

Over the course of the year, the School did not revise its original budget.

For the year ended June 30, 2013, actual general fund revenues were approximately \$378,000 below the final budgeted amounts, which represents a 17% budget variance. The variance was due to lower than expected enrollment in excess of the start-up funds that were not expected. Actual general fund expenditures were approximately \$155,000 below the final budget, which represents an 8% budget variance. Instruction expenditures were approximately \$168,000 less than budgeted due to fewer teachers being hired in response to the lower than expected enrollment. Instruction and curriculum development services were approximately \$20,000 more than budgeted due to curriculum purchases that were not included in the budget. Instructional-related technology expenditures were approximately \$22,000 more than budgeted due to the purchase of computers and related equipment that were more than the amount included in the budget. School administration expenditures are approximately \$95,000 more than budgeted due to more payroll and related expenditures than budgeted and due to computer purchases that were not included in the budget. Operation of plant expenditures are approximately \$141,000 less than budgeted due to lower than expected costs. Capital outlays and proceeds from the payable to the District School Board of Miami-Dade County, Florida were approximately \$41,000 more than budgeted due to unanticipated capital acquisitions.

For the year ended June 30, 2013, actual special fund revenues and expenditures were approximately \$181,000 more than budgeted, which represents a 100% budget variance due to the budget not including the receipt and expenditure of federal funds.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2013, the School had invested \$40,689 in capital assets (see table below).

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2013</b>	<b>2012</b>	
Building improvements	\$ 40,689	\$ -	100%
Total capital assets	<u>\$ 40,689</u>	<u>\$ -</u>	<u>100%</u>

This year's major capital asset addition included the following:

- Building improvements - \$40,689

There were no capital asset disposals in the current year. The School's fiscal year 2014 capital budget does not include significant spending related to capital projects. More detailed information about the School's capital assets is presented in Note 2 to the financial statements.



## **Long-Term Liabilities**

At the end of fiscal 2013, the School had \$39,559 in long-term liabilities outstanding. More detailed information about the School's long-term liabilities is presented in Note 3 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

When adopting the general fund budget for fiscal year 2014, the School considered the expected increase in student enrollment and resulting increase in salaries due to additional teachers.

Amounts available for appropriation in the general fund are approximately \$2,547,000, an increase of 35% over the final 2013 amount of \$1,884,259. FEFP revenue (benefiting from an increase in student population) is expected to lead this increase. The School will use this increase in revenue to finance programs currently offered and to offset the expected impact of inflation on program costs.

Budgeted expenditures are expected to be approximately \$2,347,000, an increase of 32% from the final 2013 amount of \$1,774,883. Expenditures are expected to increase to accommodate the increase in the number of students the School serves. The largest increase will be related to instruction expense and the management fee. The School has added no major new programs to the fiscal 2014 budget.

If these estimates are realized, the School's budgetary general fund balance is expected to increase by the close of fiscal 2014.

## **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 1080 LaBaron Drive, Miami Springs, FL 33166.



## **Report of Independent Auditors on Basic Financial Statements and Supplementary Information**

To the Board of Directors of Academy of International Education Charter School, a  
Charter School and Component Unit of the District School Board of Miami-Dade  
County, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Academy of International Education Charter School (the "School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2013, 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, each major fund and the aggregate remaining fund information of Academy of International Education Charter School as of June 30, 2013, 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 – 7 and the budgetary comparison information on pages 25 – 26 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 30, 2013 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.



Winter Park, Florida  
August 30, 2013

**ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

**JUNE 30, 2013**

	Governmental Activities
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 256,819
Other current assets	16,773
Capital assets:	
Building improvements	40,689
Less accumulated depreciation	<hr/> (10,172)
Total capital assets, net	<hr/> 30,517
Total assets	<hr/> <u>\$ 304,109</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 115,834
Long-term liabilities:	
Due within one year:	
Payable to the District School Board of Miami-Dade County, Florida	12,433
Due in more than one year:	
Payable to the District School Board of Miami-Dade County, Florida	<hr/> 27,126
Total liabilities	<hr/> 155,393
<b>NET POSITION</b>	
Unrestricted	<hr/> 148,716
Total net position	<hr/> 148,716
Total liabilities and net position	<hr/> <u>\$ 304,109</u>

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

**ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2013**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instruction	\$ 1,101,189	\$ -	\$ 181,087	\$ -	\$ (920,102)	\$ (920,102)
Instructional media	4,898	-	-	-	(4,898)	(4,898)
Instruction and curriculum development services	19,972	-	-	-	(19,972)	(19,972)
Instructional-related technology	39,782	-	-	-	(39,782)	(39,782)
Board	17,500	-	-	-	(17,500)	(17,500)
General administration	219,635	-	-	-	(219,635)	(219,635)
School administration	336,323	-	-	-	(336,323)	(336,323)
Pupil transportation services	1,160	-	-	-	(1,160)	(1,160)
Operation and maintenance of plant	183,978	-	-	-	(183,978)	(183,978)
Community services	1,016	-	-	-	(1,016)	(1,016)
Total primary government	<u>\$ 1,925,453</u>	<u>\$ -</u>	<u>\$ 181,087</u>	<u>\$ -</u>	<u>(1,744,366)</u>	<u>(1,744,366)</u>
General revenues:						
State and local sources					1,842,030	1,842,030
Contributions and other revenue					42,229	42,229
Total general revenues					<u>1,884,259</u>	<u>1,884,259</u>
Change in net position					139,893	139,893
Net position at beginning of year					8,823	8,823
Net position at end of year					<u>\$ 148,716</u>	<u>\$ 148,716</u>

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

**ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUND**

**JUNE 30, 2013**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 256,819
Other current assets	<u>16,773</u>
Total assets	<u><u>\$ 273,592</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable and accrued expenditures	<u>\$ 115,834</u>
Total liabilities	<u>115,834</u>
Fund balance:	
Nonspendable:	
Other current assets	16,773
Unassigned	<u>140,985</u>
Total fund balance	<u>157,758</u>
Total liabilities and fund balance	<u><u>\$ 273,592</u></u>

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

**ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

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

**JUNE 30, 2013**

<b>Total fund balance - governmental fund</b>	<b>\$ 157,758</b>
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Amounts reported for governmental activities in the statement of net position are 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 assets is \$40,689, and the accumulated depreciation is \$10,172.	30,517
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Long-term liabilities, including the payable to the District School Board of Miami-Dade County, Florida, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(39,559)</u>
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<b>Total net position - governmental activities</b>	<b><u>\$ 148,716</u></b>
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The accompanying notes to financial statements are an integral part of this statement.

**ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

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

**FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Special Revenue Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES</b>				
Federal sources passed through local school district	\$ -	\$ 181,087	\$ -	\$ 181,087
State and local sources	1,842,030	-	-	1,842,030
Contributions and other revenue	42,229	-	-	42,229
Total revenues	<u>1,884,259</u>	<u>181,087</u>	<u>-</u>	<u>2,065,346</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	911,965	181,087	-	1,093,052
Instructional media	4,898	-	-	4,898
Instruction and curriculum development services	19,972	-	-	19,972
Instructional-related technology	39,782	-	-	39,782
Board	17,500	-	-	17,500
General administration	219,635	-	-	219,635
School administration	334,288	-	-	334,288
Pupil transportation services	1,160	-	-	1,160
Operation and maintenance of plant	183,978	-	-	183,978
Community services	1,016	-	-	1,016
Debt service:				
Principal	-	-	1,130	1,130
Capital outlay	40,689	-	-	40,689
Total expenditures	<u>1,774,883</u>	<u>181,087</u>	<u>1,130</u>	<u>1,957,100</u>
Excess (deficiency) of revenues over expenditures	<u>109,376</u>	<u>-</u>	<u>(1,130)</u>	<u>108,246</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the payable to the District School Board of Miami-Dade County, Florida	40,689	-	-	40,689
Transfers in	-	-	1,130	1,130
Transfers out	(1,130)	-	-	(1,130)
Total other financing sources (uses)	<u>39,559</u>	<u>-</u>	<u>1,130</u>	<u>40,689</u>
Net changes in fund balances	148,935	-	-	148,935
Fund balances at beginning of year	8,823	-	-	8,823
Fund balances at end of year	<u>\$ 157,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,758</u>

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



**ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE 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, 2013**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$</b>	<b>148,935</b>
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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 capital outlays (\$40,689) exceed depreciation expense (\$10,172) in the current period.

30,517

Repayments of long-term liabilities are reported as expenditures in the governmental funds because they require the use of current financial resources. They are reported as a reduction in long-term liabilities in the statement of net position. This amount represents the current year repayment of principal on long-term debt.

1,130

Proceeds from long-term debt are reported as other financing sources in the governmental funds because they represent an increase in current financial resources. They are reported as an increase in long-term liabilities in the statement of net position. These amounts represent the current year borrowings under long-term liabilities:

Payable to the District School Board of  
Miami-Dade County, Florida

(40,689)

**Change in net position of governmental activities**

\$ 139,893

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

**ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Academy of International Education Charter School (the "School") is operated by Miami-Dade Foundation for Educational Innovation, Inc., 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. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of no less than three and no more than nine members. The School commenced formal operations on August 1, 2011.

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 Miami-Dade County, Florida (the "School Board"). The current charter is effective until June 30, 2016 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the 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 revert back to the School Board. 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's ("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.

**Recently adopted accounting pronouncements**

During fiscal year 2013, the School adopted guidance issued by the GASB that requires entities to present a Statement of Net Position in place of the previously issued Statement of Net Assets. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The School also adopted guidance issued by the GASB

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

regarding the reclassification of items previously reported as assets and liabilities, which are now reported as deferred outflows and inflows of resources.

**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.

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, 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 and state grants that are restricted by law or administrative action to expenditure for specific purposes.

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(continued)**

- Debt Service Fund – to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

For purposes of these statements, the general and special revenue funds constitute major funds. The debt service fund is considered non-major and is presented as the other governmental fund.

**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.

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 year or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 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.

**Deposits and investments**

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 for the year ended June 30, 2013. As of June 30, 2013, the School had deposits in a financial institution with custodial credit risk exposure in excess of FDIC coverage totaling approximately \$24,000. The School has not historically experienced losses as a result of these uninsured balances.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**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 fair value at the date of donation.

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

	<u><b>Years</b></u>
Building improvements	4

Information relative to changes in capital assets is described in Note 2.

**Income taxes**

Miami-Dade Foundation for Educational Innovation, Inc. ("MDFEI") 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.

MDFEI 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.

MDFEI 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 MDFEI 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 School's financial statements, as MDFEI 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, MDFEI is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2009.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**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 Florida Department of Education ("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 students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the Florida Education Finance Program ("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 full-time equivalent 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 School 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.

**Fund balance spending policy**

The School's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, then the unassigned fund balance when expenditures are incurred that meet the purpose of more than one fund. If a balance has not been restricted, committed or assigned for specific purposes, then the funds will be classified as unassigned. Funds can only be committed by formal action of the Board. The Board has delegated authority to the Principal to assign funds up to the amount of \$50,000. There are no minimum fund balance requirements for any of the School's funds.

**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.

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(continued)**

**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 August 30, 2013, which is the date the financial statements were available to be issued.

**2 CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Building improvements	<u>\$ -</u>	<u>\$ 40,689</u>	<u>\$ -</u>	<u>\$ 40,689</u>
Total capital assets at historical cost	<u>-</u>	<u>40,689</u>	<u>-</u>	<u>40,689</u>
Less accumulated depreciation for:				
Building improvements	<u>-</u>	<u>(10,172)</u>	<u>-</u>	<u>(10,172)</u>
Total accumulated depreciation	<u>-</u>	<u>(10,172)</u>	<u>-</u>	<u>(10,172)</u>
Governmental activities capital assets, net	<u><u>\$ -</u></u>	<u><u>\$ 30,517</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,517</u></u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 8,137
School administration	<u>2,035</u>
Total governmental activities depreciation expense	<u><u>\$ 10,172</u></u>

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(continued)**

**3 LONG-TERM LIABILITIES**

Long-term liabilities as of June 30, 2013 consist of a payable to the School Board, which represents the financing of the School's building improvements. Terms of the payable include monthly principal payments of \$1,130, free of interest, which are scheduled to begin July 1, 2013. The maturity date of the note is June 2016. Activity during the current fiscal year was as follows:

Balance outstanding at beginning of year	\$ -
Additions	40,689
Reductions	<u>(1,130)</u>
Balance outstanding at end of year	<u>\$ 39,559</u>
Amount due within one year	<u>\$ 12,433</u>

Future debt service requirements related to long-term liabilities are as follows:

<u>Year ended June 30,</u>	
2014	\$ 12,433
2015	13,563
2016	<u>13,563</u>
Total	<u>\$ 39,559</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 Miami-Dade County, Florida:

Florida Education Finance Program	\$ 1,188,553
Class size reduction	381,409
Discretionary millage funds	110,588
Supplemental academic instruction	101,486
ESE guaranteed allocation	25,260
Instructional materials	22,719
Safe schools	8,487
Lead teacher funds	<u>3,528</u>
Total	<u><u>\$ 1,842,030</u></u>

The administration fee paid to the School Board during the year ended June 30, 2013 totaled approximately \$75,000, 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.

**5 RISK MANAGEMENT PROGRAM**

Workers' compensation coverage, health and hospitalization, general liability, professional liability 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.

**6 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, 2013 may be impaired.

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(continued)**

In the opinion of the School, there are no 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.

**Lease commitments**

The School leases the school facilities, inclusive of all classrooms, parking and ancillary spaces located in Miami Springs, Florida and South Miami, Florida from the School Board. These leases require the School to pay insurance. The Miami Springs lease contains a renewal option for one additional term of three years from the expiration of the original term, which is June 30, 2015, under the same terms and conditions. The School's obligation under the Miami Springs lease is the proportionate share of the facility operating expenses. On July 1 of each year, the amount of the operating expense is adjusted to the preceding year's reported actual cost per square foot for these services. The South Miami lease was terminated as of June 30, 2013. The total expense related to these leases in fiscal 2013 was approximately \$167,000 and is included in the accompanying financial statements as a general administration expense/expenditure. The School subleases a portion of its facility to an after-school program. The total revenue related to this sublease in fiscal 2013 was approximately \$24,000 and is included in the accompanying financial statements in contributions and other revenue.

**7 MANAGEMENT AGREEMENT**

The School has a management agreement ("Agreement") with the School Board to provide management and administration services to the School. The Agreement calls for the School to pay the School Board an annual management fee of \$440 per full-time equivalent student or the School Board's actual cost of providing these services, whichever is less. This fee is payable in equal monthly installments and may be deferred until the School has the ability to pay the fee without creating a condition of financial emergency. In fiscal year 2013, management fees totaled approximately \$134,000 and are included in the accompanying financial statements as a general administration expense/expenditure.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State and local sources	\$ 2,213,376	\$ 2,213,376	\$ 1,842,030	\$ (371,346)
Contributions and other revenue	49,000	49,000	42,229	(6,771)
Total revenues	2,262,376	2,262,376	1,884,259	(378,117)
<b>EXPENDITURES</b>				
Current:				
Instruction	1,079,930	1,079,930	911,965	167,965
Instructional media	-	-	4,898	(4,898)
Instruction and curriculum development services	-	-	19,972	(19,972)
Instructional staff training	9,000	9,000	-	9,000
Instructional-related technology	18,000	18,000	39,782	(21,782)
Board	25,000	25,000	17,500	7,500
General administration	233,480	233,480	219,635	13,845
School administration	239,202	239,202	334,288	(95,086)
Pupil transportation services	-	-	1,160	(1,160)
Operation and maintenance of plant	325,000	325,000	183,978	141,022
Community services	-	-	1,016	(1,016)
Capital outlay	-	-	40,689	(40,689)
Total expenditures	1,929,612	1,929,612	1,774,883	154,729
Excess of revenues over expenditures	332,764	332,764	109,376	(223,388)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the payable to the District School Board of Miami-Dade County, Florida	-	-	40,689	40,689
Transfers out	-	-	(1,130)	(1,130)
Total other financing sources (uses)	-	-	39,559	39,559
Net changes in fund balances	332,764	332,764	148,935	(183,829)
Fund balance at beginning of year	8,823	8,823	8,823	-
Fund balance at end of year	\$ 341,587	\$ 341,587	\$ 157,758	\$ (183,829)

See report of independent auditors.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal sources passed through local school district	\$ -	\$ -	\$ 181,087	\$ 181,087
Total revenues	-	-	181,087	181,087
<b>EXPENDITURES</b>				
Current:				
Instruction	-	-	181,087	(181,087)
Total expenditures	-	-	181,087	(181,087)
Net changes in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.



**Independent Auditors 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 Academy of International Education Charter School, a  
Charter School and Component Unit of the District School Board of Miami-Dade  
County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Academy of International Education Charter School (the "School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 30, 2013.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.



We did identify a deficiency in internal control that we consider to be a significant deficiency:

2013-01 Financial Reporting: Proper recording and reporting of transactions is an important component of internal control. During our audit procedures, we identified several instances where expenses were not coded to the proper *Florida Red Book* function or were inappropriately expensed. Adjustments to assets, liabilities, net assets and expenses were required to record transactions in accordance with generally accepted accounting principles. After the auditor's identification of these errors, management recorded all necessary adjustments to correct the School's records. Management should enhance their policies and procedures to ensure that financial transactions are properly recorded and reported.

### **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*.

### **The School's Response to Findings**

The School's response to the findings identified in our audit is described in the written statement of explanation or rebuttal on page 32. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.



Winter Park, Florida  
August 30, 2013

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



To the Board of Directors of Academy of International Education Charter School, a  
Charter School and Component Unit of the District School Board of Miami-Dade  
County, Florida

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Academy of International Education Charter School as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated August 30, 2013.

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. 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 August 30, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- 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 the compliance matters included in the prior year financial audit report.
- 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 did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, 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 more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control





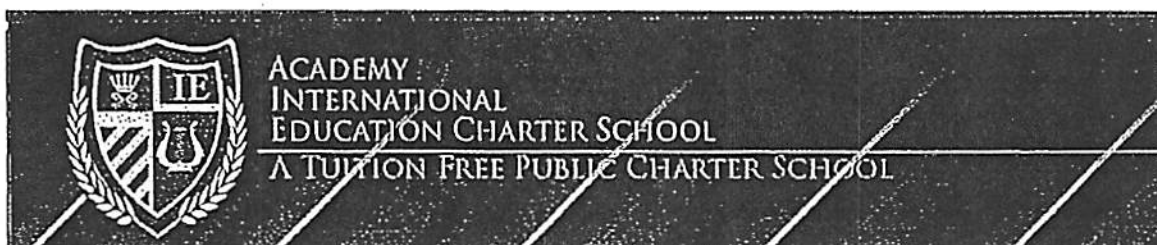
that are not significant deficiencies. In connection with our audit, we did not have any such findings.

- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The name of the School is Academy of International Education Charter School.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to 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 condition met. During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes ("the conditions"). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2013, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. 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 management.

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, and applicable management and the Board of Directors 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  
August 30, 2013



1080 LaBaron Drive, Miami Springs, FL 33166

Telephone: 305-883-3900

Fax: 305-883-3901

Management Rebuttal to Finding 2013-01 Financial Reporting

Management has already established internal control policies and procedures to effectively review the recording and reporting of financial transactions.

All transactions are first reviewed by the management company with school personnel to properly understand the nature of the transactions and to ensure that they are appropriately recorded as per the Florida Red Book. Subsequently, the monthly activity and financial statements are reviewed by a CPA for accuracy.

Additionally, BKHM performed the audit of this school in the prior year, and reviewed the same types of transactions without incident. Had the prior audit team recommended changes to the expense categories in which these transactions were being recorded, we would have implemented those changes in the current year. As such we feel that many of the recommended expenditure reclassifications are subjective in nature and do not constitute a lack of internal controls on the part of the School or Management.

Vera Hirsh  
Principal