
ALPHA CHARTER OF EXCELLENCE, INC.

INDEPENDENT AUDITOR'S REPORT

&

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2015

MARK ESCOFFERY P.A.
CERTIFIED PUBLIC ACCOUNTANT

ALPHA CHARTER OF EXCELLENCE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of
Alpha Charter of Excellence, Inc.
Miami, Florida

I have audited the accompanying Financial Statements of the governmental activities, and each major fund, of Alpha Charter of Excellence, Inc. ("the School") (a nonprofit organization) as of and for the year ended June 30, 2015, which collectively comprise the School's basic financial statements as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Management of the School. My responsibility is to express an opinion on these financial statements based on my audit.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

To the Board Members of
Alpha Charter of Excellence Inc.
Miami, Florida
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Opinion

In my opinion, the financial statements referred to above and the Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (GAAP Basis) and Actual-All Governmental Fund Types present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the School as of June 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 20, 2015, on my consideration of the School's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Other Matters

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Board. I have applied certain limited procedures, which consisted principally of inquiries of Management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Mark Ewffey, P.A.

Palm Beach Gardens, Florida
August 20, 2015

**ALPHA CHARTER OF EXCELLENCE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Our discussion and analysis of Alpha Charter of Excellence, Inc.'s ("the School") financial program provides an overview of the School's financial activities for the year ended June 30, 2015.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with the School's financial statements which begin on page 7.

For financial statement purposes the School is considered a component unit of the School Board of Miami-Dade County which is a primary government entity for financial reporting. The School has included separate statements for the Governmental Fund Balance Sheet and the statement of Revenue, Expenditures and Changes in Fund Balance. The Statement of Net Position and the Statement of Activities report provide information on the activities of the School. The Fund Financial Statements reflect financing activities of the School by providing information on inflows and outflows of spendable resources.

NON FINANCIAL HIGHLIGHTS

The School had 275 students enrolled for the school year 2015, which was approximately the same as budgeted. It has budgeted for 300 students for the school year 2015-2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's financial position. Included in these statements are all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are recorded when received.

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

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Fund Financial Statements

A *Fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

**ALPHA CHARTER OF EXCELLENCE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd.)

Fund Financial Statements (Cont'd.)

Governmental Funds – All of the School's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's governmental activities and the basic services it provides.

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 15-21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net positions may serve over time as a useful indicator of the School's financial position. The School's assets exceeded liabilities by \$225,489 at June 30, 2015.

NET POSITION

	JUNE 30, 2015	JUNE 30, 2014
Current and other Assets	183,029	\$ 151,775
Capital Assets	\$ 203,141	275,504
Total Assets	386,170	\$ 427,279
Long Term Debt	\$ 73,921	\$ 137,369
Other Liabilities	86,760	121,783
Total Liabilities	160,681	\$ 259,152
Investment in Capital Assets	\$ 129,220	\$ 138,135
Unrestricted Net Position	96,269	29,992
Total Net Position	\$ 225,489	\$ 168,127

Revenues from governmental activities totaled \$2,008,817 for the year ended June 30, 2015. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue represented approximately 89.0% of total revenue.

**ALPHA CHARTER OF EXCELLENCE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd.)

<u>Revenue Source</u>	<u>6/30/15</u>	<u>% of Total 6/30/15</u>	<u>6/30/14</u>	<u>% of Total 6/30/14</u>
State Sources	\$ 1,787,091	86.9	\$ 1,549,755	78.8
Federal Sources	221,726	10.8	409,534	20.8
Local Sources	48,156	2.3	6,188	.4
Total	<u>\$ 2,056,973</u>	<u>100.0</u>	<u>\$ 1,965,477</u>	<u>100.0</u>

Federal Sources of revenue were from Title 1 Grants for the year ended June 30, 2015.

Expenses for major functions of the School are shown in the following Table:

<u>EXPENSE</u>	<u>6/30/15</u>	<u>% of Total 6/30/15</u>	<u>6/30/14</u>	<u>% of Total 6/30/14</u>
Instruction	\$ 771,209	38.6	\$ 827,841	44.0
Instruction Support Services	60,242	3.0	-	-
Instructional Staff Training	-	-	45,251	2.4
Board Services	9,941	.5	8,849	.4
School Administration	241,117	12.0	165,834	8.8
General Administration	221,831	11.1	194,423	10.3
Central Services	8,923	.4	3,750	.2
Community Services	1,970	.1	1,246	.1
Facilities Acquisition	271,939	13.6	230,370	12.3
Operation of Plant	95,518	4.8	129,429	6.9
Fiscal Services	12,102	.6	-	-
Pupil Transportation	1,440	.1	1,715	.1
Maintenance of Plant	-	-	6,375	.3
Technology Services	-	-	10,119	.5
Food Services	184,140	9.2	156,102	8.3
Interest Expense	7,603	.4	11,883	.6
Depreciation & Amortization	111,636	5.6	89,702	4.8
TOTAL	<u>\$ 1,999,611</u>	<u>100.0</u>	<u>\$ 1,882,889</u>	<u>100.0</u>

BUDGETARY HIGHLIGHTS

Total revenues were \$13,090 more than budgeted because student enrollment was marginally higher than budgeted.

Overall actual expenses were approximately \$33,000 less than budgeted primarily because of lower instruction and related costs.

Total fund balance of the General Fund was \$96,269 at June 30, 2015.

**ALPHA CHARTER OF EXCELLENCE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

CAPITAL ASSETS

The School's investment in capital assets at June 30, 2015 was \$203,141 (net of depreciation). The investment includes improvements other than buildings, furniture, fixtures and equipment. The following is a summary of capital assets balances at June 30, 2015:

Improvements other than Buildings	\$ 308,008
Furniture, Fixtures and Equipment	169,734
	<hr/>
	477,742
Less Accumulated Depreciation	274,601
	<hr/>
	<u>\$ 203,141</u>

LONG TERM DEBT

The Note Payable balance at June 30, 2015 was \$73,921. The Note matures on August 15, 2017, and bears interest of 7% per annum with monthly payments of \$5,291.

PROSPECTS FOR THE FUTURE

The School continues to receive funds from State sources in the form of Florida Education Finance Program Fees (FEFP). The fees are evaluated in October and February and are based on student enrollment.

- Administration believes that the School will receive a high rating from the Department of Education, based on test scores and academic achievement.
- The School should surpass its budgeted amount of 300 students for the 2015-2016 School Year.
- The Administration believes that the School will progress and contribute to the educational requirement of Dade County.

REQUESTS FOR INFORMATION

The Management Discussion and Analysis provides a general overview of the finances of the School. Requests for additional information should be addressed to Isabel Navas, Principal, 1217 SW Fourth Street, Miami, FL 33135.

ALPHA CHARTER OF EXCELLENCE, INC.

**Governmental Fund (General Fund) Balance Sheet
June 30, 2015**

	<u>General Fund</u>
ASSETS	
Cash	\$112,662
Accounts Receivable	21,991
Deposits	19,198
Prepayments	29,178
Total Assets	<u><u>183,029</u></u>
LIABILITIES	
Accrued salaries	62,031
Accounts Payable	24,729
Total Liabilities	<u><u>86,760</u></u>
FUND BALANCE	
Nonspendable	29,178
Undesignated	67,091
Total Fund Balance	<u><u>96,269</u></u>
Total Liabilities and Fund Balance	<u><u>\$183,029</u></u>

The accompanying notes are an integral part of this statement

ALPHA CHARTER OF EXCELLENCE, INC.
STATEMENT OF NET POSITION
For the Year ended June 30, 2015

ASSETS	Account Number	Primary Government		Total
		Governmental Activities	Business-type Activities	
Cash and Cash Equivalents	1110	112,662		112,662
Accounts Receivable, Net	1130	21,991		21,991
Deposits	1210	19,198		19,198
Due from other Agencies	1220			0
Prepayments	1230	29,178		29,178
Capital Assets:				
Improvements other than Buildings	1320	308,008		308,008
Less Accumulated Depreciation	1329	(174,398)		(174,398)
Furniture, Fixtures and equipment	1340	169,734		169,734
Less Accumulated Depreciation	1349	(100,203)		(100,203)
Motor Vehicles	1350			
Less Accumulated Depreciation	1359			
Computer Software	1382			
Less Accumulated Depreciation	1389			
Total Assets		386,170		386,170
LIABILITIES				
Salaries and Wages Payable	2110	62,031		62,031
Payroll Deductions and Withholdings	2170			0
Accounts Payable	2120	24,729		24,729
Noncurrent Liabilities:				
Portion Due Within One Year:				
Notes Payable	2310	68,034		68,034
Liability for Compensated Absences	2330			
Portion due after one year				
Notes payable		5,887		5,887
Total Liabilities		160,681		160,681
NET POSITION				
Invested in Capital Assets, Net of Related Debt		129,220		129,220
Restricted For:				
Categorical Carryover Programs	2710			0
Debt Service	2750			0
Unrestricted		96,269		96,269
Total Net Position		225,489		225,489

The accompanying notes are an integral part of this statement

ALPHA CHARTER OF EXCELLENCE, INC.

Statement of Governmental Fund (General Fund) Revenues, Expenditures and
Changes in Fund Balance
Year Ended June 30, 2015

	<u>Governmental Funds</u>	<u>Special Revenue</u>	<u>Total</u>
EXPENSES			
Instructional Services	\$746,573	\$24,636	\$771,209
Instructional Support Services	29,158	31,084	60,242
Board	9,941		9,941
School Administration	241,117		241,117
General Administration	221,831		221,831
Facilities Acquisition	271,939		271,939
Fiscal services	12,102		12,102
Food Services		184,140	184,140
Community Service		1,970	1,970
Central Services	8,923		8,923
Pupil Transportation	1,440		1,440
Operation of Plant	95,518		95,518
Debt Service	71,053		71,053
Capital Outlay	39,273		39,273
TOTAL EXPENDITURES	<u>1,748,868</u>	<u>241,830</u>	<u>1,990,698</u>
PROGRAM REVENUES			
Florida Education Finance Program (FEFP)	1,787,091		1,787,091
Total program revenues	<u>1,787,091</u>		<u>1,787,091</u>
GENERAL REVENUES:			
Other federal sources		221,726	221,726
Other State sources	23,966	1,892	25,858
Other local sources	21,005	1,295	22,300
Total general revenues	<u>44,971</u>	<u>224,913</u>	<u>269,884</u>
Excess of Revenues over expenses	83,194	(16,917)	66,277
Transfers	(16,917)	16,917	
Fund Balance, Beginning of Year	29,992		29,992
Fund Balance, End of Year	<u>\$ 96,269</u>	<u>\$ -</u>	<u>\$ 96,269</u>

The accompanying notes are an integral part of this statement

ALPHA CHARTER OF EXCELLENCE, INC.

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
of Governmental Fund (General Fund) To The
Statement of Activities
June 30, 2015**

Net Changes in Fund Balances- Governmental Funds **\$66,277**

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	39,273	
Less current year depreciation	<u>(111,636)</u>	
		<u>(72,363)</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the Governmental Funds.

Proceeds from note Payable	(7,606)	
Payments on note payable	<u>71,053</u>	
		63,447

Change in Net Assets of Governmental Activities **\$57,362**

The accompanying notes are an integral part of this statement

ALPHA CHARTER OF EXCELLENCE, INC.
Statement of Revenues, Expenditures and Changes
In Fund Balance-Budget (GAAP Basis) and Actual
All Governmental Fund Types
Year Ended June 30, 2015

	Governmental Funds			Special Revenue			TOTAL		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
EXPENDITURES:									
Instructional Services	\$796,865	\$746,573	(\$50,292)	\$24,636	\$24,636		\$821,501	\$771,209	(\$50,292)
Instructional Support Services	4,076	29,158	25,082	29,681	31,084		33,757	60,242	26,485
Board	8,950	9,941	991				8,950	9,941	991
School Administration	406,049	241,117	(164,932)				406,049	241,117	(164,932)
General Administration		221,831	221,831				0	221,831	221,831
Facilities Acquisition	281,414	271,939					281,414	271,939	(9,475)
Fiscal services	2,958	12,102	9,144				2,958	12,102	9,144
Food Services				186,404	184,140	(\$2,264)	186,404	184,140	(2,264)
Community Service				1,970	1,970		1,970	1,970	
Central Services		8,923						8,923	8,923
Pupil Transportation	2,000	1,440	(560)				2,000	1,440	(560)
Operation of Plant	183,531	95,518	(88,013)				183,531	95,518	(88,013)
Maintenance of Plant	11,100						11,100		(11,100)
Technology Services	12,550						12,550		(12,550)
Debt Service	71,053	71,053					71,053	71,053	
Capital Outlay		39,273	39,273					39,273	39,273
	<u>1,780,546</u>	<u>1,748,868</u>	<u>(7,476)</u>	<u>242,691</u>	<u>241,830</u>	<u>(2,264)</u>	<u>2,023,237</u>	<u>1,990,698</u>	<u>(32,539)</u>
PROGRAM REVENUES									
Florida Education Finance Program	<u>1,787,037</u>	<u>1,787,091</u>	<u>54</u>				<u>1,787,037</u>	<u>1,787,091</u>	<u>54</u>
	<u>1,787,037</u>	<u>1,787,091</u>	<u>54</u>				<u>1,787,037</u>	<u>1,787,091</u>	<u>54</u>

The accompanying notes are an integral part of this statement

ALPHA CHARTER OF EXCELLENCE, INC.
Statement of Revenues, Expenditures and Changes
In Fund Balance-Budget (GAAP Basis) and Actual
All Governmental Fund Types
Year Ended June 30, 2015 (Continued)

	Governmental Funds			Special Revenue			TOTAL		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
GENERAL REVENUES:									
Other federal sources	23,965	23,966	1	\$ 210,513	\$ 221,726	11,213	\$210,513	\$221,726	\$ 11,213
Other State sources	19,100	21,005	1,905	\$ 1,892	\$ 1,892	0	\$25,857	\$25,858	1
Other local sources	43,065	44,971	1,906	1378	1295	-83	20,478	22,300	1,822
Excess of Revenues over Expenditures	\$ 49,556	83,194	(\$5,516)	213,783	224,913	11,130	256,848	269,884	13,036
Transfers		(16,917)		\$ (28,908)	\$ (16,917)	\$8,866	\$20,648	66,277	(\$19,449)
Fund Balance, Beginning of Year		29,992						29,992	
Fund Balance, End of year		\$96,269			\$ -			\$96,269	

The accompanying notes are an integral part of this statement
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**ALPHA CHARTER OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Alpha Charter of Excellence, Inc. (“the School”) was established as a nonprofit organization in June 2010 under the laws of the State of Florida and is the reporting entity.

The School operates as a Charter School pursuant to a Charter School Contract (“the Contract”) with the School Board of Miami-Dade County, Florida. Under the Contract the School provides an elementary education to children who reside in Dade County in and around the City of Miami. For financial statement purposes the School is considered a component unit of the School Board of Miami-Dade County which is a primary government entity for financial reporting.

The School Board of Miami-Dade County received 5% of the Florida Education Finance Program (FEFP) revenue as an administrative fee.

The School began its operations July 1, 2012. The School received a five year Charter Contract to June 30, 2017. The Contract requires the School Board to provide the School’s primary source of funding based upon the number of full-time equivalent students (FTES) registered at the School.

The School is a tax-exempt organization under 501(C)(3) of the Internal Revenue Code.

The School’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

Basic Financial Statements

The School’s basic financial statements are the Statements of Net Position and the Statement of Activities. All the activities of the School are classified as governmental type activities. There are no business type activities of the School. All the School’s governmental type activities are included in the general and special revenue funds. There are no other major or non major funds. In the Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The School’s net position is reported in three parts – invested in capital assets, net of related debt; restricted for categorical carryover programs, debt service; and unrestricted net position.

ALPHA CHARTER OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basic Financial Statements (Cont'd.)

The Statement of Activities reports both the gross and net cost of each of the School's functions. The functions are also supported by government revenues such as Florida Education Finance Program (FEFP), and Federal Implementation Grants. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function (after care and youth services, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants column reflects capital-specific grants.

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds are reported as separate columns in the fund financial statements:

General Fund – is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

Special Revenue Fund – accounts for specific revenue, such as federal grants and capital outlay grants that are legally restricted to expenditures for particular purposes.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounting and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The governmental type activities in the financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. When both restricted and unrestricted resources are available for use, it is the policy of the School to use restricted resources first, then unrestricted resources as they are needed.

**ALPHA CHARTER OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Measurement Focus

The accounting and financial reporting treatment is determined by applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet and operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financial uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles include the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that subject the School to concentrations of credit risk include cash. While the School attempts to limit its financial exposure, its deposit balances may at times exceed federally insured limits. The School has not experienced any losses on such balances.

Cash deposits are held at banks qualified as public depositories under Florida law.

Fair Value Measurements

The Fair Value Measurement Topic of the FASB Accounting standards Codification defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements.

**ALPHA CHARTER OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Fair Value Measurements (Cont'd.)

The School measures the fair value of assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Contributed Services and Facilities

The School does not recognize any support, revenue or expense from services contributed by individual volunteers since no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of time to the School's program services.

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year expenditures were controlled at the object level (i.e. salaries, purchased services, and capital outlay).

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

**ALPHA CHARTER OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Capital Assets (Cont'd.)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture, Fixtures and Equipment	5-10 Years
Building & Fixed Equipment	10 Years
Improvements other than Buildings	5 Years

Revenue Sources

Revenues for operations are received primarily from the School Board of Miami-Dade County pursuant to the funding provisions included in the School's Charter. In accordance with the funding provisions of the Charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the School Board of Miami-Dade County. Funding for the School is adjusted during the year to reflect the revised calculations by the Florida Department of Education under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

Fund Balance Classifications

GASB requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Fund Balance Classifications (Cont'd.)

- a) **Nonspendable** fund balance includes amounts that are not in a spendable form such as inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). There was a nonspendable fund balance at year end.
- b) **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. There was no restricted fund balance at year end.
- c) **Committed** fund balance includes amounts than can be used only for the specific purposes determined by a formal action of the School's highest level of decision making authority. There was no committed fund balance at year end.
- d) **Assigned** fund balance includes amounts intended to be used by the School's Management for specific purposes but which does not meet the criteria to be classified as restricted or committed. There was no assigned fund balance at year end.
- e) **Unassigned** fund balance includes amounts that are available for any purpose. These amounts are reported only in the general fund. There was an unassigned fund balance at year end.

**ALPHA CHARTER OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against nonspendable fund balance, followed in order by restricted fund balance, committed fund balance, assigned fund balance, and lastly unassigned fund balance at the end of the fiscal year. The School's Board of Directors can deviate from this policy if it is in the best interest of the School.

Transfer of funds between the General Fund and Special Revenue Fund in the amount of \$16,917 was for additional costs related to the Title 1 Program.

NOTE 2 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014, were as follows:

	Balance <u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>Ending</u>
Improvements other than Buildings	\$ 302,910	\$ 5,098	\$ -	\$ 308,008
Furniture, Fixtures & Equipment	135,559	34,175	-	169,734
	438,469	39,273	-	477,942
Less Accumulated Depreciation	162,965	111,636	-	274,601
NET CAPITAL ASSETS	\$ 275,504	\$ (72,363)	\$ -	\$ 203,141

Depreciation expense of \$111,636 was unallocated during the year ended June 30, 2015.

NOTE 3 – LONG TERM DEBT

	Beginning	Additions	Reductions	Balance	Payments due within one year
June 30, 2015	\$ 137,368	\$ 7,606	\$71,053	\$73,921	\$68,032

Future minimum payments on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>
June 30, 2016	\$ 68,032	3,020
June 30, 2017	5,889	22
	<u>\$ 73,921</u>	<u>\$ 3,042</u>

**ALPHA CHARTER OF EXCELLENCE, INC.
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)
 FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 4 – MANAGEMENT AGREEMENT

The School has a Management Agreement with the Leona Group Florida, LLC (TLGF) to provide management services for the School dated February 12, 2012. The Agreement is for five years, the same as the Charter School Contract with the School Board of Miami-Dade, Florida and ends on June 30, 2017. The Agreement calls for TLGF to provide educational services to the School in the areas of curriculum development and instruction, administrative services, business administration and budgeting, and technology and professional development. Under the terms of the Agreement the School will pay TLGF \$460 per full time equivalent student. Total management fees for the year ended June 30, 2015 was \$135,999.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Lease Agreement

The School operates under a non-cancelable operating lease which expires in June 2018. Annual rental expenses for the year ended June 30, 2015, were approximately \$230,000. Future minimum lease payments are as follows:

June 30, 2016	\$	266,000
June 30, 2017		274,000
June 30, 2018		282,000
June 30, 2019		290,000
June 30, 2020		299,000
		\$ 1,411,000

Risk Management

The School is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance for all material risks of loss to which the School is exposed, including general liability, property, auto and workers compensation. A review of the last three years reveals that settled claims have not exceeded insurance coverage.

The School receives funding from the State of Florida based on the number of full time equivalent (FTE) students who attend the Charter School. The data is compiled by the School and is subject to audit by the State and if errors are found this could result in amounts having to be repaid to the State or decrease in future allocations. Management believes that the amounts that would have to be remitted to the State due to errors in their FTE count would not be material to the financial position of the School.

**ALPHA CHARTER OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated events that occurred subsequent to the year end for potential recognition or disclosure in the financial statements, through the date on which the financial statements were available to be issued. The date when the financial statements were available to be issued was August 20, 2015.

Mark Escoffery, P.A.

Certified Public Accountant

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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 Members of
Alpha Charter of Excellence, Inc.,
Miami, Florida

I have audited the financial statements of Alpha Charter of Excellence, Inc. ("the School") (a nonprofit organization) as of and for the year ended June 30, 2015, and have issued my report thereon dated August 20, 2015. I conducted my 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the School's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the School's internal control over financial reporting

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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**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 (Continued)**

To The Board Members of
Alpha Charter of Excellence, Inc.
Miami, Florida
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board Members, Management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mark Ecoffey, P.A.

Palm Beach Gardens, Florida
August 20, 2015

Mark Escoffery, P.A.

Certified Public Accountant

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MANAGEMENT LETTER

To the Board Members of
Alpha Charter of Excellence, Inc.
Miami, Florida

Report on the Financial Statements

I have audited the financial statements of Alpha Charter of Excellence, Inc., Florida, ("the School") as of and for the fiscal year ended June 30, 2015, and have issued my report thereon dated August 20, 2015.

Auditor's Responsibility

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

Other Reports and Schedules

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated August 20, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that I 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 and recommendations made in the preceding annual financial audit report.

Official Title

- Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Alpha Charter of Excellence, Inc.

Financial Condition

- Section 10.854(1)(e)2., Rules of the Auditor General, requires that I report the results of my determination as to whether or not the Alpha Charter School of Excellence, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with my audit, I determined that Alpha Charter of Excellence, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, I applied financial condition assessment procedures for the Alpha Charter of Excellence, Inc. It is management's responsibility to monitor Alpha Charter of Excellence, Inc.'s financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency

- Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that I report the results of my determination as to whether the Alpha Charter of Excellence, Inc. maintains on its web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with my audit, I determined that the Alpha Charter of Excellence, Inc. 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 I address in the management letter any recommendations to improve financial management. In connection with my audit, I did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that I 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 my audit, I did not have any such findings.

Purpose of this Letter

My 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, applicable management, and Miami-Dade County Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Mark Escoffery, P.A.

Mark Escoffery P.A.
Palm Beach Gardens, Florida
August 20, 2015