
ALPHA CHARTER OF EXCELLENCE, INC.

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2013

MARK ESCOFFERY P.A.
CERTIFIED PUBLIC ACCOUNTANT

ALPHA CHARTER OF EXCELLENCE, INC.

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Governmental Fund (General Fund) Balance Sheet	7
Statement of Net Position	8
Reconciliation of the Governmental Fund (General Fund) Balance Sheet to the Statement of Net Position	9
Statement of Governmental Fund (General Fund) Revenues, Expenditures and Changes in Fund Balance	10
Statement of Activities	11
Reconciliation of Statement of Revenues, Expenditures, And Changes in Fund Balance of Governmental Fund (General Fund) to the Statement of Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget (GAAP Basis) and Actual – All Governmental Fund Types	13-14
Notes to Financial Statements	15-21
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial statements Performed in Accordance with <i>Government Auditing Standards</i>	22-23
Management Letter	24-25

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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, 2013, 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
Page 2

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, 2013, 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 September 4, 2013, 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 Eiroffey, P.A.

Palm Beach Gardens, Florida
September 4, 2013

**ALPHA CHARTER OF EXCELLENCE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013.

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 58 students enrolled for the school year 2013, which was approximately 150 students less than budgeted. It has budgeted for 90 students for the school year 2013-2014.

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, 2013**

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 \$85,541 at June 30, 2013.

NET POSITION

		<u>JUNE 30, 2013</u>
Current and other Assets	\$	94,613
Capital Assets		282,080
Total Assets	\$	<u>376,693</u>
Long Term Debt	\$	196,539
Other Liabilities		94,613
Total Liabilities	\$	<u>291,152</u>
Investment in Capital Assets	\$	85,541
Unrestricted Net Position		-
Total Net Position	\$	<u>85,541</u>

Revenues from governmental activities totaled \$920,602 for the year ended June 30, 2013. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue represented approximately 78.4% of total revenue.

**ALPHA CHARTER OF EXCELLENCE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd.)

<u>Revenue Source</u>	<u>6/30/13</u>	<u>%of Total 6/30/13</u>
State Sources	\$ 722,465	56.8
Local Sources	351,770	27.6
Federal Sources	198,137	15.6
Total	<u>\$ 1,272,372</u>	<u>100.0</u>

Federal Sources of revenue were from Title 1 Grants for the year ended June 30, 2013. Local revenue sources are primarily day care fees, and management fees and other costs waived by the Leona Group.

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

<u>EXPENSE</u>	<u>6/30/13</u>	<u>%of Total 6/30/13</u>
Instruction	\$ 429,170	36.2
Exceptional Instruction	2,286	.2
Instructional Staff Training	20,700	1.7
Board Services	5,865	.5
School Administration	231,859	19.5
General Administration	39,624	3.3
Central Services	8,989	.8
Community Services	3,768	.3
Facilities Acquisition	252,526	21.3
Operation of Plant	38,515	3.2
Food Services	67,233	5.7
Interest Expense	13,032	1.1
Depreciation & Amortization	73,264	6.2
TOTAL	<u>\$ 1,186,831</u>	<u>100.0</u>

BUDGETARY HIGHLIGHTS

Total revenues were \$839,564 less than budgeted because of lower student enrollment than budgeted.

Overall actual expenses were approximately \$320,670 less than budgeted primarily because instruction and related costs incurred were \$384,721 less than budget because of lower enrollment. There were capital expenditures of approximately \$316,500 which were not budgeted, and management fees of \$59,000 which were given back to the School.

Total fund balance of the General Fund was \$ - 0 - at June 30, 2013.

**ALPHA CHARTER OF EXCELLENCE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

CAPITAL ASSETS

The School's investment in capital assets at June 30, 2013 was \$282,080 (net of depreciation). The investment includes improvements other than buildings furniture, fixtures and equipment and computer software. The following is a summary of capital assets balances at June 30, 2013:

Improvements other than Buildings	\$ 273,568
Furniture, Fixtures and Equipment	17,836
Computer Software	<u>63,940</u>
	355,344
Less Accumulated Depreciation	<u>73,264</u>
	<u>\$ 282,080</u>

LONG TERM DEBT

The School borrowed \$220,000 from a Private Foundation during the year to finance the capital assets of the School. The balance at June 30, 2013 was \$196,539. 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 90 students for the 2013-2014 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, 2013**

	<u>General Fund</u>
ASSETS	
Cash	\$48,610
Accounts Receivable	2,156
Deposits	25,000
Prepayments	<u>18,847</u>
Total Assets	<u><u>94,613</u></u>
LIABILITIES	
Accrued salaries	40,675
Accounts Payable	<u>53,938</u>
Total Liabilities	<u>94,613</u>
FUND BALANCE	
Nonspendable	(18,847)
Undesignated	<u>18,847</u>
Total Liabilities and Fund Balance	<u><u>\$94,613</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, 2013

	Account Number	Primary Government		
		Governmental Activities	Business-type Activities	Total
ASSETS				
Cash and Cash Equivalents	1110	48,610		48,610
Accounts Receivable, Net	1130	46,003		46,003
Capital Assets:				
Improvements other than Buildings	1320	273,568		273,568
Less Accumulated Depreciation	1329	(53,522)		(53,522)
Furniture, Fixtures and equipment	1340	17,836		17,836
Less Accumulated Depreciation	1349	(1,968)		(1,968)
Motor Vehicles	1350			
Less Accumulated Depreciation	1359			
Computer Software	1382	63,940		63,940
Less Accumulated Depreciation	1389	(17,774)		(17,774)
Total Assets		376,693		376,693
LIABILITIES				
Salaries and Wages Payable	2110	40,675		40,675
Payroll Deductions and Withholdings	2170			0
Accounts Payable	2120	53,938		53,938
Noncurrent Liabilities:				
Portion Due Within One Year:				
Notes Payable	2310	59,170		59,170
Liability for Compensated Absences	2330			
Portion due after one year				
Notes payable		137,369		137,369
Total Liabilities		291,152		291,152
NET POSITION				
Invested in Capital Assets, Net of Related Debt		85,541		85,541
Restricted For:				
Categorical Carryover Programs	2710			0
Debt Service	2750			0
Unrestricted		0		0
Total Net Position		85,541		85,541

The accompanying notes are an integral part of this statement

ALPHA CHARTER OF EXCELLENCE, INC.

**Reconciliation of the Governmental Funds
Balance Sheet To The Statement of Net Position
June 30, 2013**

Fund Balance- Governmental Funds **\$0**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	355,343	
Less accumulated depreciation	<u>(73,264)</u>	
		282,080

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

Notes payable		(196,539)
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Net Assets of Governmental Activities		<u><u>\$85,541</u></u>
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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, 2013

	Governmental <u>Funds</u>	Special <u>Revenue</u>	<u>Total</u>
EXPENSES			
Instructional Services	\$298,266	\$130,904	\$429,170
Exceptional instruction	2,286		2,286
Instructional Staff training	20,700		20,700
Board	5,865		5,865
School Administration	231,859		231,859
General Administration	39,624		39,624
Facilities Acquisition	252,526		252,526
Food Services		67,233	67,233
Community Service	3,768		3,768
Central Services	8,989		8,989
Operation of Plant	38,515		38,515
Debt Service			
Principal	23,461		23,461
Interest	13,032		13,032
Capital Outlay	355,343		355,343
TOTAL EXPENDITURES	1,294,235	198,137	1,492,372
PROGRAM REVENUES			
Florida Education Finance Program (FEFP)	722,465		722,465
Capital grants and contributions			
Charges for services	60,679		60,679
Total program revenues	783,144	396,274	783,144
GENERAL REVENUES:			
Other federal sources		198,137	198,137
Other local sources	511,091		511,091
Total general revenues	511,091	198,137	709,228
Excess of Revenues over expenses			
Fund Balance, Beginning of Year			
Fund Balance, End of Year	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement

ALPHA CHARTER OF EXCELLENCE, INC.

STATEMENT OF ACTIVITIES

June 30, 2013

FUNCTIONS	Account Number	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:							
Instruction	5000	\$ 382,200		\$ 198,137		\$ (184,063)	(184,063)
Pupil Personnel Services	6100	2,286				(2,286)	(2,286)
Instructional Media Services	6200	67,670				(67,670)	(67,670)
Instruction and Curriculum Development Services	6300						
Instructional Staff Training Services	6400						
Board	7100						
General Administration	7200	45,489				(45,489)	(45,489)
School Administration	7300	231,859				(231,859)	(231,859)
Facilities Acquisition and Construction	7400	252,526				(252,526)	(252,526)
Fiscal Services	7500	13,032				(13,032)	(13,032)
Food Services	7600	67,233				(67,233)	(67,233)
Central Services	7700	8,989				(8,989)	(8,989)
Pupil Transportation Services	7800						
Operation of Plant	7900	38,515				(38,515)	(38,515)
Maintenance of Plant	8100						
Technology services	8200						
Community Services	9100	3,768				(3,768)	(3,768)
Interest on Long-term Debt	9200						
Unallocated Depreciation Expense *		73,264				(73,264)	(73,264)
Total governmental activities		1,186,831		198,137		(988,694)	(988,694)
Business-type activities:							
Total business-type activities				198,137			198,137
Totals						(988,694)	(988,694)

General Revenues:

Taxes:

Property taxes, levied for operational purposes	
Property taxes, levied for debt service	
Property taxes, levied for capital projects	
Local sales taxes	
Florida Education Finance Program (FEFF)	722,465
Grants and contributions not restricted to specific programs	351,770
Investment earnings	
Loss on disposal of assets	
Special items	
Transfers	
Total general revenues, special items, and transfers	1,074,235
Change in net assets	85,541
Net assets-beginning	
Net assets-ending	\$85,541

* This amount excludes the depreciation that is included in direct expenses of the various functions.

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, 2013**

Net Changes in Fund Balances- Governmental Funds **\$0**

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	355,343	
Less current year depreciation	<u>(73,264)</u>	
		<u>282,080</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.

Increase in notes payable	(220,000)	
Payments on note payable	<u>23,461</u>	
		(196,539)

Change in Net Assets of Governmental Activities **\$85,541**

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, 2013

	Governmental Funds			Special Revenue			TOTAL		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
EXPENDITURES:									
Instruction	\$813,891	\$298,266	(\$515,625)		\$130,904	\$130,904	\$813,891	\$429,170	(\$384,721)
Exceptional Instruction	42,998	2,286	(40,712)				42,998	2,286	-40,712
Instructional staff training	5,000	20,700	15,700				5,000	20,700	15,700
Instructional related technology	41,200		(41,200)				41,200	0	(41,200)
Board	5,500	5,865	365				5,500	5,865	365
General Administration		39,624	39,624				0	39,624	39,624
School Administration	138,294	231,859	93,565				138,294	231,859	93,565
Facilities Acquisition	229,769	252,526	22,757				229,769	252,526	22,757
Fiscal Services	210,723		(210,723)				210,723	0	(210,723)
Food Services	6,130		(6,130)	78,440	67,233	(11,207)	84,570	67,233	(17,337)
Central Services	12,000	8,989	(3,011)				12,000	8,989	(3,011)
Operation of Plant	129,026	38,515	(90,511)				129,026	38,515	(90,511)
Technology Services	10,000		(10,000)				10,000	0	(10,000)
Community Services		3,768	3,768					3,768	3,768
Debt service	51,227	36,493	(14,734)				51,227	36,493	(14,734)
Capital Outlay	38,743	355,343	316,600				38,743	355,343	316,600
	<u>1,734,501</u>	<u>1,294,235</u>	<u>(440,267)</u>	<u>78,440</u>	<u>198,137</u>	<u>119,697</u>	<u>1,812,941</u>	<u>1,492,372</u>	<u>(320,570)</u>
PROGRAM REVENUES									
Florida Education Finance Program	1,739,405	722,465	(1,016,940)				1,739,405	722,465	(1,016,940)
Capital grants and contributions				78,440	198,137	119,697	78,440	198,137	119,697
Charges for services	3,000	60,679	57,679				3,000	60,679	57,679
	<u>1,742,405</u>	<u>783,144</u>	<u>(959,261)</u>	<u>78,440</u>	<u>198,137</u>	<u>119,697</u>	<u>1,820,845</u>	<u>981,281</u>	<u>(839,564)</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, 2013 (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						\$ -	\$0	\$0	\$ -
Other local sources		511,091	511,091				0	511,091	511,091
	0	511,091	511,091	0	0	0	0	511,091	511,091
Excess of Revenues over Expenditures	\$ 7,904	0	(\$7,904)	\$ -	\$ -	\$ -	\$7,904	0	(\$7,904)
Fund Balance, Beginning of Year									
Fund Balance, End of year		\$0			\$ -			\$0	

The accompanying notes are an integral part of this statement

**ALPHA CHARTER OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2013**

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, 2013**

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, 2013**

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 of Financial Instruments

The School's financial assets measured at fair value include cash, accounts receivable and prepayments.

**ALPHA CHARTER OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2013**

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

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. 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:

**ALPHA CHARTER OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2013**

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

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 deficit at year end.

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.

NOTE 2 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013, were as follows:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>Ending</u>
Improvements other than Buildings	\$ -	\$ 273,568	\$ -	\$ 273,568
Computer Software	-	63,940	-	63,940
Furniture, Fixtures & Equipment	-	17,836	-	17,836
	-	355,344	-	355,344
Less Accumulated Depreciation		73,264	-	73,264
NET CAPITAL ASSETS	\$ -	\$ 282,080	\$ -	\$ 282,080

**ALPHA CHARTER OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30 2013**

NOTE 2 – CAPITAL ASSETS (Cont'd.)

Depreciation expense of \$73,264 was unallocated during the year ended June 30, 2013.

NOTE 3 – LONG TERM DEBT

	Beginning	Additions	Reductions	Balance	Payments due within one year
June 30, 2013	\$ -	\$220,000	\$23,461	\$196,539	\$59,169

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

	Principal	Interest
June 30, 2014	\$ 59,169	\$ 11,883
June 30, 2015	63,446	7,606
June 30, 2016	68,032	3,020
June 30, 2017	5,892	34
	<u>\$ 196,539</u>	<u>\$ 22,543</u>

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, 2013 was \$59,013 which was waived by TLGF.

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, 2013, were approximately \$250,000. Future minimum lease payments are as follows:

June 30, 2014	\$ 250,000
June 30, 2015	258,000
June 30, 2016	265,000
June 30, 2017	274,000
June 30, 2018	282,000
	<u>\$ 1,329,000</u>

**ALPHA CHARTER OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 5 – COMMITMENTS AND CONTINGENCIES (Cont'd.)

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 year 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.

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 September 4, 2013.

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, 2013, and have issued my report thereon dated September 4, 2013. 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 Eschberg, P. A.

Palm Beach Gardens, Florida
September 4, 2013

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

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, 2013, and have issued my report thereon dated September 4, 2013.

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. 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 September 4, 2013, should be considered in conjunction with this management letter.

Additionally, my 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 or schedule:

- 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.
- 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(s) met. In connection with my audit, I determined that Alpha Charter of Excellence, Inc. met one of the conditions described in Section 218.503(1), Florida Statutes. The condition is described below:

At June 30, 2013, the School had an operating deficit of approximately \$344,000. They submitted a financial emergency plan to the School Board of Miami-Dade County which was accepted by them. The Management Company, The Leona Group, would waive their management fee and the costs owed to them for the year ended June 30, 2013, which would erase the fund deficit for the year and the School would have a zero fund balance. On August 22, 2013, the School Board of Directors accepted the forgiveness of the Management fees and other debts.

MANAGEMENT LETTER
(Cont'd.)

- 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 recommendation.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that I address violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with my audit, I did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the school. The official title of the school is Alpha Charter of Excellence, Inc.
- Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General, I applied financial condition assessment procedures. It is Management's responsibility to monitor the 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.

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 and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



Mark Escoffery, P.A.
September 4, 2013