
ALPHA ACADEMY OF EXCELLENCE, INC

INDEPENDENT AUDITOR'S REPORT

&

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2014

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, 2014, 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, 2014, 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 July 24, 2014, 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 Eschberg, P.A.

Palm Beach Gardens, Florida
July 24, 2014

**ALPHA CHARTER OF EXCELLENCE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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, 2014.

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 230 students enrolled for the school year 2014, which was approximately the same as budgeted. It has budgeted for 289 students for the school year 2014-2015.

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, 2014**

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 \$168,127 at June 30, 2014.

NET POSITION

	<u>JUNE 30, 2014</u>	<u>JUNE 30, 2013</u>
Current and other Assets	151,775	\$ 94,613
Capital Assets	\$ 275,504	282,080
Total Assets	<u>427,279</u>	<u>\$ 376,693</u>
Long Term Debt	\$ 137,369	\$ 196,539
Other Liabilities	121,783	94,613
Total Liabilities	<u>259,152</u>	<u>\$ 291,152</u>
Investment in Capital Assets	\$ 138,135	\$ 85,541
Unrestricted Net Position	29,992	"
Total Net Position	<u>\$ 168,127</u>	<u>\$ 85,541</u>

Revenues from governmental activities totaled \$1,959,289 for the year ended June 30, 2014. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue represented approximately 78.0% of total revenue.

**ALPHA CHARTER OF EXCELLENCE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd.)

<u>Revenue Source</u>	<u>6/30/14</u>	<u>% of Total 6/30/14</u>	<u>6/30/13</u>	<u>% of Total 6/30/13</u>
State Sources	\$ 1,549,755	78.8	\$ 722,465	56.8
Federal Sources	409,534	20.8	198,137	15.6
Local Sources	6,188	.4	351,770	27.6
Total	<u>\$ 1,965,477</u>	<u>100.0</u>	<u>\$ 1,272,372</u>	<u>100.0</u>

Federal Sources of revenue were from Title 1 Grants for the year ended June 30, 2014.

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

<u>EXPENSE</u>	<u>6/30/14</u>	<u>% of Total 6/30/14</u>	<u>6/30/13</u>	<u>% of Total 6/30/13</u>
Instruction	\$ 827,841	44.0	\$ 429,170	36.2
Exceptional Instruction	-	-	2,286	.2
Instructional Staff Training	45,251	2.4	20,700	1.7
Board Services	8,849	.4	5,865	.5
School Administration	165,834	8.8	231,859	19.5
General Administration	194,423	10.3	39,624	3.3
Central Services	3,750	.2	8,989	.8
Community Services	1,246	.1	3,768	.3
Facilities Acquisition	230,370	12.3	252,526	21.3
Operation of Plant	129,429	6.9	38,515	3.2
Pupil Transportation	1,715	.1	-	-
Maintenance of Plant	6,375	.3	-	-
Technology Services	10,119	.5	-	-
Food Services	156,102	8.3	67,233	5.7
Interest Expense	11,883	.6	13,032	1.1
Depreciation & Amortization	89,702	4.8	73,264	6.2
TOTAL	<u>\$ 1,882,889</u>	<u>100.0</u>	<u>\$ 1,186,831</u>	<u>100.0</u>

BUDGETARY HIGHLIGHTS

Total revenues were \$39,864 more than budgeted because student enrollment was marginally more than budgeted.

Overall actual expenses were approximately \$41,000 less than budgeted primarily because of lower instruction and related costs.

Total fund balance of the General Fund was \$29,992 at June 30, 2014.

ALPHA CHARTER OF EXCELLENCE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

CAPITAL ASSETS

The School's investment in capital assets at June 30, 2014 was \$275,504 (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, 2014:

Improvements other than Buildings	\$ 302,910
Furniture, Fixtures and Equipment	<u>135,559</u>
	438,469
Less Accumulated Depreciation	<u>162,965</u>
	<u>\$ 275,504</u>

LONG TERM DEBT

The Note Payable balance at June 30, 2014 was \$137,369. 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 289 students for the 2014-2015 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, 2014**

	<u>General Fund</u>
ASSETS	
Cash	\$79,134
Accounts Receivable	11,145
Due from other Agencies	17,298
Deposits	25,000
Prepayments	19,198
Total Assets	<u>151,775</u>
LIABILITIES	
Accrued salaries	76,234
Accounts Payable	45,549
Total Liabilities	<u>121,783</u>
FUND BALANCE	
Nonspendable	19,198
Undesignated	10,794
Total Fund Balance	<u>29,992</u>
Total Liabilities and Fund Balance	<u>\$151,775</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, 2014

ASSETS	Account Number	Primary Government		
		Governmental Activities	Business-type Activities	Total
Cash and Cash Equivalents	1110	79,134		79,134
Accounts Receivable, Net	1130	11,145		11,145
Deposits	1210	25,000		25,000
Due from other Agencies	1220	17,298		17,298
Prepayments	1230	19,198		19,198
Capital Assets:				
Improvements other than Buildings	1320	302,910		302,910
Less Accumulated Depreciation	1329	(115,600)		(115,600)
Furniture, Fixtures and equipment	1340	135,559		135,559
Less Accumulated Depreciation	1349	(47,365)		(47,365)
Motor Vehicles	1350			
Less Accumulated Depreciation	1359			
Computer Software	1382			
Less Accumulated Depreciation	1389			
Total Assets		427,279		427,279
LIABILITIES				
Salaries and Wages Payable	2110	76,234		76,234
Payroll Deductions and Withholdings	2170			0
Accounts Payable	2120	45,549		45,549
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		78,199		78,199
Total Liabilities		259,152		259,152
NET POSITION				
Invested in Capital Assets, Net of Related Debt		138,135		138,135
Restricted For:				
Categorical Carryover Programs	2710			0
Debt Service	2750			0
Unrestricted		29,992		29,992
Total Net Position		168,127		168,127

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, 2014**

Fund Balance- Governmental Funds **\$29,992**

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

Governmental capital assets	438,469	
Less accumulated depreciation	<u>(162,965)</u>	
		275,504

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	(137,369)
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Net Assets of Governmental Activities	<u><u>\$168,127</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, 2014**

	<u>Governmental Funds</u>	<u>Special Revenue</u>	<u>Total</u>
EXPENSES			
Instructional Services	\$604,072	\$223,769	\$827,841
Instructional Staff training	3,600	41,651	45,251
Board	8,849		8,849
School Administration	165,447		165,447
General Administration	194,423		194,423
Facilities Acquisition	230,370		230,370
Fiscal services	387		387
Food Services		156,102	156,102
Community Service		1,246	1,246
Central Services		3,750	3,750
Pupil Transportation	1,715		1,715
Operation of Plant	129,429		129,429
Maintenance of Plant	6,375		6,375
Technology Services	10,119		10,119
Debt Service	71,054		71,054
Capital Outlay	83,126		83,126
TOTAL EXPENDITURES	<u>1,508,967</u>	<u>426,518</u>	<u>1,935,485</u>
PROGRAM REVENUES			
Florida Education Finance Program (FEFP)	<u>1,528,104</u>		<u>1,528,104</u>
Total program revenues	<u>1,528,104</u>		<u>1,528,104</u>
GENERAL REVENUES:			
Other federal sources		409,534	409,534
Other State sources	21,137	514	21,651
Other local sources	<u>6,000</u>	<u>188</u>	<u>6,188</u>
Total general revenues	<u>27,137</u>	<u>410,236</u>	<u>437,373</u>
Excess of Revenues over expenses	46,274	(16,282)	29,992
Transfers	(16,282)	16,282	
Fund Balance, Beginning of Year			
Fund Balance, End of Year	<u>\$ 29,992</u>	<u>\$ -</u>	<u>\$ 29,992</u>

The accompanying notes are an integral part of this statement

				Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Account Number	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total
FUNCTIONS									
Governmental activities:									
Instruction	5000	\$ 827,841		\$ 409,534		\$	(418,307)		(418,307)
Pupil Personnel Services	6100								
Instructional Media Services	6200	45,251					(45,251)		(45,251)
Instruction and Curriculum Development Services	6300								
Instructional Staff Training Services	6400								
Board	7100	8,849							
General Administration	7200	194,423					(8,849)		(8,849)
School Administration	7300	165,447					(194,423)		(194,423)
Facilities Acquisition and Construction	7400	230,370					(165,447)		(165,447)
Fiscal Services	7500	387					(230,370)		(230,370)
Food Services	7600	156,102					(387)		(387)
Central Services	7700	3,750					(156,102)		(156,102)
Pupil Transportation Services	7800	1,715					(3,750)		(3,750)
Operation of Plant	7900	129,429					(1,715)		(1,715)
Maintenance of Plant	8100	6,375					(129,429)		(129,429)
Technology services	8200	10,119					(6,375)		(6,375)
Community Services	9100	1,246					(10,119)		(10,119)
Interest on Long-term Debt	9200	11,883					(1,246)		(1,246)
Unallocated Depreciation Expense *		89,702					(11,883)		(11,883)
Total governmental activities		1,882,889		409,534			(89,702)		(89,702)
Business-type activities:							(1,473,355)		(1,473,355)
Total business-type activities									
Totals		1,882,889		409,534			(1,473,355)		(1,473,355)

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 (FEFP)
- Grants and contributions not restricted to specific programs
- Investment earnings
- Loss on disposal of assets
- Special items
- Transfers
- Total general revenues, special items, and transfers
- Change in net assets
- Net assets—beginning
- Net assets—ending

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

[illegible]

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, 2014**

Net Changes in Fund Balances- Governmental Funds **\$29,992**

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	83,126	
Less current year depreciation	<u>(89,702)</u>	
		<u>(6,576)</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.

Payments on note payable	<u>59,172</u>	
		59,172

Change in Net Assets of Governmental Activities	<u><u>\$82,588</u></u>
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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, 2014

	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	657,747	\$604,072	(\$53,675)	\$225,967	\$223,769	(\$2,198)	\$883,714	\$827,841	(\$55,873)
Instructional Staff training	5,250	3,600	(1,650)	41,651	41,651	-	46,901	45,251	-1,650
Board	9,000	8,849	(151)				9,000	8,849	(151)
School Administration	169,347	165,447	(3,900)				169,347	165,447	(3,900)
General Administration	155,459	194,423	38,964				155,459	194,423	38,964
Facilities Acquisition	230,370	230,370	-				230,370	230,370	-
Fiscal services	675	387	(288)	5,829		(\$5,829)	6,504	387	(6,117)
Food Services				167,797	156,102	(\$11,695)	167,797	156,102	(11,695)
Community Service				1,246	1,246	-	1,246	1,246	-
Central Services				3,750	3,750	-	3,750	3,750	-
Pupil Transportation	1,750	1,715	(35)				1,750	1,715	(35)
Operation of Plant	128,010	129,429	1,419				128,010	129,429	1,419
Maintenance of Plant	7,850	6,375	(1,475)				7,850	6,375	(1,475)
Technology Services	10,700	10,119	(581)				10,700	10,119	(581)
Debt Service	71,054	71,054	-				71,054	71,054	-
Capital Outlay	83,126	83,126	-				83,126	83,126	-
	<u>1,530,338</u>	<u>1,508,967</u>	<u>(21,372)</u>	<u>446,240</u>	<u>426,518</u>	<u>(19,722)</u>	<u>1,976,578</u>	<u>1,935,485</u>	<u>(41,094)</u>
PROGRAM REVENUES									
Florida Education Finance Program	1,505,372	1,528,104	22,732				1,505,372	1,528,104	22,732
	<u>1,505,372</u>	<u>1,528,104</u>	<u>22,732</u>				<u>1,505,372</u>	<u>1,528,104</u>	<u>22,732</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, 2014 (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				\$ 395,070	\$ 409,534	14,464	\$395,070	\$409,534	\$ 14,464
Other State sources	21,094	21,137	43	\$ 205	\$ 514	309	\$21,299	\$21,651	352
Other local sources	3,872	6,000	2,128	160	188	28	4,032	6,188	2,156
	24,966	27,137	2,171	395,435	410,236	14,801	420,401	437,373	16,972
Excess of Revenues over Expenditures	\$ -	46,274	\$3,531	\$ (50,805)	\$ (16,282)	(\$4,921)	(\$50,805)	29,992	(\$1,390)
Transfers		(16,282)			16,282				
Fund Balance, Beginning of Year									
Fund Balance, End of year		\$29,992			\$ -			\$29,992	

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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 that 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.

**ALPHA CHARTER OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2014**

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 \$16,282 was for additional costs related to the Title I Program.

NOTE 2 – CAPITAL ASSETS

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

	Balance Beginning	Additions	Disposals	Balance Ending
Improvements other than Buildings	\$ 273,568	\$ 29,342	\$ -	\$ 302,910
Furniture, Fixtures & Equipment	81,775	53,784	-	135,559
	355,343	83,126	-	438,469
Less Accumulated Depreciation	73,263	89,702	-	162,965
NET CAPITAL ASSETS	\$ 282,080	\$ (6,576)	\$ -	\$ 275,504

Depreciation expense of \$89,702 was unallocated during the year ended June 30, 2014.

NOTE 3 – LONG TERM DEBT

	Beginning	Additions	Reductions	Balance	Payments due within one year
June 30, 2014	\$ 196,539	\$ -	\$59,170	\$137,369	\$63,446

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

	Principal	Interest
June 30, 2015	\$ 63,446	7,606
June 30, 2016	68,032	3,020
June 30, 2017	5,891	34
	<u>\$ 137,369</u>	<u>\$ 10,660</u>

**ALPHA CHARTER OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014 was \$119,328.

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, 2014, were approximately \$230,000. Future minimum lease payments are as follows:

June 30, 2015	\$ 237,000
June 30, 2016	244,000
June 30, 2017	251,000
June 30, 2018	259,000
June 30, 2019	267,000
	<u>\$ 1,258,000</u>

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 two 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, 2014**

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 July 24, 2014.

Mark Escoffery, P.A.

Certified Public Accountant

8645 N. Military Trail
Suite 503
Palm Beach Gardens, FL 33410

Tel (561) 627-1404
Fax (561) 627-3844

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, 2014, and have issued my report thereon dated July 24, 2014. 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
July 24, 2014

Mark Escoffery, P.A.

Certified Public Accountant

8645 N. Military Trail
Suite 503
Palm Beach Gardens, FL 33410

MANAGEMENT LETTER

Tel (561) 627-1404
Fax (561) 627-3844

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, 2014, and have issued my report thereon dated July 24, 2014.

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 July 24, 2014, 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. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- 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 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.

MANAGEMENT LETTER
(Cont'd.)

- 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.
- Pursuant to Section 10.855 (13), Rules of the Auditor General, it was determined that Alpha Charter of Excellence, Inc. maintains information on its website in accordance with Section 1002.33(9) (p), Florida statutes.

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.

Mark Escoffery, P.A.
July 24, 2014