



**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF  
LEE COUNTY, FLORIDA**

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

**JUNE 30, 2011**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Fort Myers Preparatory and Fitness Academy, Inc.'s (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

### FINANCIAL HIGHLIGHTS

The assets of the School equaled its liabilities at the close of the fiscal year, resulting in net assets of \$0.

Revenues from state and local sources increased 100% (\$521,245), while revenues from federal sources increased from \$25,844 to \$331,644 and other sources decreased 64% (\$4,670) for a net increase in revenues of 149% (\$822,375). The School's student count was significantly higher than the previous year, resulting in higher revenues for the School. Expenses were adjusted to reflect this higher student count, resulting in a corresponding increase in expenses being paid by the management company on behalf of the School.

The School has entered into a management contract with Performance Academies of Florida, LLC ("PAF") for most of its functions (see Note 6 to the basic financial statements).

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

This document also includes the independent auditor's report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

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

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

### Government-wide Financial Statements

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

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

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

- *Governmental activities* – most of the School’s basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (“FEFP”) and state and federal grants finance most of these activities.

- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

### Fund Financial Statements

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

The School has one type of fund:

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

### FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

#### Net Assets

The table below provides a comparative summary of the School's net assets for fiscal years 2011 and 2010.

	<b>Governmental Activities</b>		
	<b>2011</b>	<b>2010 (as restated)</b>	<b>Increase (Decrease)</b>
Current and Other Assets	\$ 31,923	\$ 26,722	19%
Total Assets	31,923	26,722	19%
Current and Other Liabilities	31,923	26,722	19%
Total Liabilities	31,923	26,722	19%
Total Net Assets	\$ -	\$ -	0%

Current and other assets increased based on the timing of receivables at year end. Current and other liabilities increased due to the reimbursement to the management company for expenses paid on behalf of the School.

## Changes in Net Assets

The table below shows the comparative summary of changes in net assets and revenues and expenses for fiscal years 2011 and 2010.

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2011</b>	<b>2010</b>	<b>(Decrease)</b>
<b>Revenues:</b>			
State and Local Sources	\$ 1,040,385	\$ 519,140	100%
Federal Sources	331,644	25,844	1183%
Other Revenues	2,679	7,349	-64%
Total Revenues	<u>1,374,708</u>	<u>552,333</u>	<u>149%</u>
<b>Expenses:</b>			
Instruction	598,862	334,766	79%
Board	10,319	10,575	-2%
General Administration	148,323	27,249	444%
School Administration	133,578	80,028	67%
Facilities Acquisition and Construction	210,414	149,000	41%
Fiscal Services	2,936	-	100%
Food Services	98,425	72,895	35%
Central Services	24,864	62,253	-60%
Pupil Transportation Services	83,509	52,290	60%
Operation of Plant	23,924	-	100%
Maintenance of Plant	39,554	26,063	52%
Total Expenses	<u>1,374,708</u>	<u>815,119</u>	<u>69%</u>
<b>Special Item:</b>			
Expenses Paid by PAF on Behalf of the School	<u>-</u>	<u>262,786</u>	<u>-100%</u>
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>0%</u>

Total revenues increased due to higher student enrollment and the increase federal funds. Total instruction, school administration, food service and pupil transportation services expenses increased significantly in correlation to the higher student enrollment as well. General administration increased due to the increase in fees paid to the District in relation to the increase in revenues. Site acquisition, operation of plant and maintenance of plant increased due to the new school location to accommodate the increase in student enrollment. Central services decreased primarily due to a decrease in advertising expenses.

Certain reclassifications were made in the 2010 amounts to conform to their classifications in fiscal year 2011.

## **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts, which the School uses to keep track of sources of funding and spending.

The School's basic services are included in governmental funds which focus 1) on how financial assets can be converted to cash flows and 2) on the year-end balances available for spending.

Due to the nature of the management contract with Performance Academies of Florida, LLC ("PAF"), the School's general fund balance remains at \$0.

### **General Fund Budgetary Highlights**

The School prepares an annual budget in June based on the expected funded enrollment figure for the following school year. The budget is revised once the School's final full-time equivalent enrollment is determined based on the required count dates.

The School's final general fund budget estimated a \$0 carryover for the following year. Actual results produced a carryover in the general fund of \$0.

With the budget adjustments to the general fund, actual revenues were approximately \$9,700 under final budgeted amounts due to lower than expected Education Jobs Fund revenues. Expenditures were approximately \$43,000 greater than the revised budgeted amount due to the higher than budgeted student count during the year.

### **Special Revenue Fund Budgetary Highlights**

With the budget adjustments to the special revenue fund, actual revenues and expenditures were approximately \$48,000 less than budgeted primarily due to receiving fewer federal awards than anticipated.

## **CAPITAL ASSETS**

The School had no capital assets in fiscal year 2011 or 2010.

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

As explained more fully in Note 6 to the basic financial statements, the School contracts with PAF for the majority of its day-to-day services which include facilities, equipment, technology, operational support services (including execution of the educational model), personnel and training, management and management consulting. PAF agrees to provide these services for a percentage share of the per pupil revenues received by the School from the District School Board of Lee County, thereby assuming the financial risk that such share of revenues will not be sufficient to cover expenses. Payment of any excess expenses by PAF does not represent a loan or future obligation of the School to PAF.

For fiscal year 2011, the School's third year of operation, PAF provided no additional support to the School. The School projects that with the expected increasing enrollment in the next fiscal year, the School will not require support from PAF during fiscal year 2012.

### **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Toby Pinkerton, Treasurer for Performance Academies LLC, 7416 N. Main St., Dayton OH 45415.





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

To the Board of Directors of Fort Myers Preparatory and Fitness Academy, Inc., a Charter School and Component Unit of the District School Board of Lee County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Myers Preparatory and Fitness Academy, Inc. (the "School"), a charter school and component unit of the District School Board of Lee County, Florida, as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2011 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 24 through 25, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*BKHM, P.A.*

Winter Park, Florida  
September 11, 2011

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
A CHARTER SCHOOL COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 122
Accounts Receivable	31,801
Total Assets	\$ 31,923
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Due to Management Company	\$ 31,923
Total Liabilities	31,923
 <b>NET ASSETS</b>	
Unrestricted	-
Total Net Assets	-
Total Liabilities and Net Assets	\$ 31,923

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

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
A CHARTER SCHOOL COMPONENT UNIT OF  
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**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Operating Grants and Contributions</u>	
				<u>Governmental Activities Totals</u>	
<b>Governmental Activities:</b>					
Instruction	\$ 598,862	\$ -	\$ -	\$ 77,707	\$ (521,155)
Board	10,319	-	-	-	(10,319)
General Administration	148,323	-	-	2,416	(145,907)
School Administration	133,578	-	-	-	(133,578)
Facilities Acquisition and Construction	210,414	-	-	-	(210,414)
Fiscal Services	2,936	-	-	-	(2,936)
Food Services	98,425	1,931	-	98,425	1,931
Central Services	24,864	-	-	-	(24,864)
Pupil Transportation Services	83,509	-	-	-	(83,509)
Operation of Plant	23,924	-	-	-	(23,924)
Maintenance of Plant	39,554	-	-	-	(39,554)
<b>Total Governmental Activities</b>	<u>\$ 1,374,708</u>	<u>\$ 1,931</u>	<u>\$ -</u>	<u>\$ 178,548</u>	<u>(1,194,229)</u>
<b>General Revenues:</b>					
Federal Sources Passed Through Local School District					153,096
State and Local Sources					1,040,385
Other Revenues					748
Total General Revenues					<u>1,194,229</u>
Change in Net Assets					-
Net Assets at Beginning of Year, as Previously Reported					26,722
Prior Year Adjustment (see Note 8)					<u>(26,722)</u>
Net Assets at Beginning of Year, as Restated					-
Net Assets at End of Year					<u>\$ -</u>

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

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
A CHARTER SCHOOL COMPONENT UNIT OF  
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**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2011**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 122	\$ -	\$ 122
Accounts Receivable	-	31,801	31,801
Due from Special Revenue Fund	31,801	-	31,801
Total Assets	\$ 31,923	\$ 31,801	\$ 63,724
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to Management Company	\$ 31,923	\$ -	\$ 31,923
Due to General Fund	-	31,801	31,801
Total Liabilities	31,923	31,801	63,724
<b>FUND BALANCES</b>			
Unassigned	-	-	-
Total Liabilities and Fund Balances	\$ 31,923	\$ 31,801	\$ 63,724

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

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
A CHARTER SCHOOL COMPONENT UNIT OF  
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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

**Total Fund Balances - Governmental Funds** \$ -

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. There were no capitalized assets as of June 30, 2011.

**Total Net Assets - Governmental Activities** \$ -

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

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
A CHARTER SCHOOL COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

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

**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Federal Sources Passed Through			
Local School District	\$ -	\$ 331,644	\$ 331,644
State and Local Sources	1,040,385	-	1,040,385
Other Revenues	2,679	-	2,679
Total Revenues	<u>1,043,064</u>	<u>331,644</u>	<u>\$ 1,374,708</u>
<b>EXPENDITURES</b>			
Instruction	\$ 521,155	77,707	598,862
Board	10,319	-	10,319
General Administration	145,907	2,416	148,323
School Administration	133,578	-	133,578
Facilities Acquisition and Construction	210,414	-	210,414
Fiscal Services	2,936	-	2,936
Food Services	-	98,425	98,425
Central Services	24,864	-	24,864
Pupil Transportation Services	83,509	-	83,509
Operation of Plant	23,924	-	23,924
Maintenance of Plant	39,554	-	39,554
Total Expenditures	<u>1,196,160</u>	<u>178,548</u>	<u>1,374,708</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	153,096	-	153,096
Operating Transfers Out	-	(153,096)	(153,096)
Total Other Financing Sources (Uses)	<u>153,096</u>	<u>(153,096)</u>	<u>-</u>
Net Changes in Fund Balances	-	-	-
Fund Balances at Beginning of Year, as Previously Reported	26,722	-	-
Prior Year Adjustment (see Note 8)	(26,722)	-	-
Fund Balances at Beginning of Year, as Restated	-	-	-
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2011**

**Net Changes In Fund Balances - Governmental Funds** \$ -

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. There were no capitalized assets during the year ended June 30, 2011.

**Change In Net Assets Of Governmental Activities**           -  
          -  
\$ -

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



**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

**1 DESCRIPTION OF SCHOOL AND REPORTING ENTITY**

Fort Myers Preparatory and Fitness Academy, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes.

The School contracts with Performance Academies of Florida, LLC ("PAF") for most of its functions (see Note 6).

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Lee County, Florida (the "School Board" or the "District"). The current charter is effective until June 30, 2013 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

The School operates under a self-appointing, five-member Board of Directors (the "Board"). The School's Code of Regulations specifies that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors.

The School operates in a facility leased from a third party. The facility is staffed with personnel employed by PAF.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Recently Adopted Accounting Pronouncements**

During fiscal year 2011, the School adopted guidance issued by the GASB that established fund balance classifications that comprise a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This guidance improves the usefulness of fund balance information by

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

clarifying the definitions of existing governmental fund types and providing additional classifications of fund balance.

**Basis of Presentation**

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Accordingly, both governmental-wide and fund financial statements are presented.

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

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

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

**Governmental Funds:**

- General Fund – to account for all financial resources not required to be accounted for in another fund.

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

- Special Revenue Fund – to account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes.

For purposes of these statements, the general fund and the special revenue fund are the only major funds.

**Measurement Focus and Basis of Accounting**

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

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

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred.

**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.

**Cash and Cash Equivalents**

All cash received by the School is maintained in a demand deposit account. For purposes of presentation on the Statement of Net Assets, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

**Income Taxes**

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

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

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

The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is “more likely than not” that its tax positions will be sustained upon an examination by the Internal Revenue Service (“IRS”) or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the School’s financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same “more likely than not” measurement threshold. With few exceptions, the School is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2009.

**Revenue Sources**

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

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Capital Assets and Depreciation**

The School has no capital assets, as the School operates under a management agreement with PAF (see Note 6). PAF purchases all assets needed for the operation of the School.

**Use of Estimates**

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**Fund Balance Spending Policy**

The School's adopted spending policy is to spend from the restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. The governing board shall review the amounts in the fund balances in conjunction with the annual budget approval and make adjustments as necessary to meet expected cash flow needs. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to the restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Directors. There are no minimum fund balance requirements for any of the School's funds.

**Other Financing Sources (Uses)**

During fiscal 2011, the School received federal funds related to expenditures incurred in fiscal 2010. At the end of fiscal 2010, the School did not believe that it fully qualified for reimbursement through the applicable federal grant and did not record a receivable or corresponding revenue within the special revenue fund. As the School received the funds in fiscal 2011, it recorded the revenues in the special revenue fund with a corresponding transfer out to the general fund to reimburse it for the expenditures incurred in fiscal 2010.

**Subsequent Events**

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through September 11, 2011, which is the date the financial statements were available to be issued.

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**3 ACCOUNTS RECEIVABLE**

Accounts receivable included in the accompanying financial statements consist of balances due from federal sources. Based on the collectibility of funds, in the opinion of management, an allowance for doubtful accounts is not considered necessary.

**4 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

For the year ended June 30, 2011, state and local revenues were received from the District as follows:

District School Board of Lee County, Florida:	
Florida Education Finance Program	\$ 571,952
Class Size Reduction	182,087
Discretionary Millage Funds	100,754
ESE Guaranteed Allocation	70,408
Supplemental Academic Instruction	31,275
Education Jobs Fund	30,959
Transportation	30,596
Instructional Materials	11,257
"A" School Recognition	5,205
Safe Schools	3,101
Teacher Lead	1,366
Library Media Materials	718
Discretionary Lottery Funds	557
State Lunch Program	150
	<hr/>
Total	<u><u>\$ 1,040,385</u></u>

The administration fee paid to the School Board during the year ended June 30, 2011 totaled approximately \$54,000, which is reflected as a general administration expense/expenditure in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**5 RISK MANAGEMENT**

**Property and Liability**

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement, PAF has contracted with an insurance company for property and general liability insurance (see Note 6).

**Director and Officer**

Coverage includes a \$1,000,000 aggregate limit.

**6 AGREEMENT WITH PERFORMANCE ACADEMIES OF FLORIDA, LLC**

The School enters into an annual Management Agreement (“Agreement”) with PAF, which is an educational consulting and management company. The Agreement’s term will renew on an annual basis unless one party notifies the other party at least six (6) months prior to the expiration of the then-current term of its intention to not renew the agreement. Substantially all functions and operational activities of the School have been contracted to PAF. PAF is responsible and accountable to the School’s Board of Directors for the administration and operation of the School. The School is required to pay PAF a monthly continuing fee of 98 percent of the School’s “Qualified Gross Revenues,” defined in the Agreement as “...all revenues and income received by the School except for charitable contributions” and “PAF shall receive 100 percent of any and all grants or funding of any kind generated by PAF, and its affiliates beyond the regular per pupil state funding received by the School, subject to any terms and conditions attached to the grants, if any.” The continuing fee is paid to PAF based on the previous month’s qualified gross revenues less any fees the School is required to remit to the School Board. The continuing fee earned by PAF for the year ended June 30, 2011 was \$1,300,830. Two percent of the base state per pupil allocation, up to \$40,000, is retained by the School as a Board Reserve to be spent by June 30 of each year for the School’s benefit. Any remaining unspent Board Reserve is remitted to PAF. PAF will be responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

Per the Agreement, no other amounts are required other than the continuing fee as reported above. For the year ended June 30, 2011, PAF paid expenses to operate the School totaling \$1,206,606. Expenses to operate the School include the direct site expenses of the School and the allocated expenses of the PAF central instructional support personnel. The indirect costs of the PAF administrative office are recorded in the “General Administration” function on the

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Government Funds.

**7 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts that may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

**Legal Matters**

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

**Lease Commitments**

The School leases its building space under an amended operating lease that is scheduled to expire in July 2012. The lease contains varying renewal options and requires the School to pay insurance and other costs which are paid for under the agreement with PAF. Aggregate remaining minimum rental commitments as of June 30, 2011 under the lease are as follows:

<b>Year ending June 30,</b>	<b>Amount</b>
2012	\$ 120,492
2013	8,077
Total future minimum lease payments	<u>\$ 128,569</u>

Rent expense for fiscal year 2011 was approximately \$68,000.



**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**8 PRIOR PERIOD ADJUSTMENT**

The balance of unrestricted net assets and unreserved fund balance as of June 30, 2010 has been restated to reflect the amount payable to PAF as of June 30, 2010 for the School's ending cash balance that was due to PAF under the management contract (see Note 6).

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
A CHARTER SCHOOL COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
<b>REVENUES</b>				
State and Local Sources	\$ 929,727	\$1,050,000	\$1,040,385	(\$9,615)
Other Revenues	3,000	2,750	2,679	(71)
Total Revenues	<u>932,727</u>	<u>\$1,052,750</u>	<u>1,043,064</u>	<u>(9,686)</u>
<b>EXPENDITURES</b>				
Instruction	575,000	478,096	521,155	(43,059)
Board	10,000	10,000	10,319	(319)
General Administration	140,000	145,000	145,907	(907)
School Administration	120,000	130,000	133,578	(3,578)
Facilities Acquisition and Construction	200,000	210,000	210,414	(414)
Fiscal Services	3,000	3,000	2,936	64
Central Services	23,000	25,000	24,864	136
Pupil Transportation Services	80,000	87,500	83,509	3,991
Operation of Plant	25,000	25,000	23,924	1,076
Maintenance of Plant	42,000	40,000	39,554	446
Total Expenditures	<u>1,218,000</u>	<u>1,153,596</u>	<u>1,196,160</u>	<u>(42,564)</u>
<b>SPECIAL ITEM</b>				
Expenses Paid by PAF on Behalf of the School (See Note 6)	<u>285,273</u>	<u>(52,250)</u>	<u>-</u>	<u>52,250</u>
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	<u>-</u>	<u>153,096</u>	<u>153,096</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>153,096</u>	<u>153,096</u>	<u>-</u>
Net Changes in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,128</u>
Fund Balance at Beginning of Year, as Restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,128</u>

See report of independent auditors.

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
A CHARTER SCHOOL COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
<b>REVENUES</b>				
Federal Sources Passed Through				
Local School District	\$ 100,000	\$ 380,000	\$ 331,644	\$ (48,356)
Total Revenues	<u>100,000</u>	<u>380,000</u>	<u>331,644</u>	<u>(48,356)</u>
<b>EXPENDITURES</b>				
Instruction	-	121,904	77,707	44,197
General Administration	-	5,000	2,416	2,584
Food Services	100,000	100,000	98,425	1,575
Total Expenditures	<u>100,000</u>	<u>226,904</u>	<u>178,548</u>	<u>48,356</u>
<b>OTHER FINANCING USES</b>				
Operating Transfers Out	-	(153,096)	(153,096)	-
Total Other Financing Uses	<u>-</u>	<u>(153,096)</u>	<u>(153,096)</u>	<u>-</u>
Net Changes in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>(96,712)</u>
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (96,712)</u>

See report of independent auditors.



**Report of Independent Auditors on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of Fort Myers Preparatory and Fitness Academy, Inc., a Charter School and Component Unit of the District School Board of Lee County, Florida

We have audited the financial statements of the governmental activities and each major fund of Fort Myers Preparatory and Fitness Academy, Inc. (the "School"), a charter school and component unit of the District School Board of Lee County, Florida, as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described as follows:

2011-01: Board Training within 90 Days: Under Florida Rule 6A-6.0784, members of the governing board must receive four hour state approved governance training within 90 days of becoming a governing board member. During our audit procedures, we noted that one board member added in the current school year did not have the training completed until after 90 days of becoming a governing board member. We recommend that the School inform new governing board members of the governance training requirements before they become members of the board and follow up with them to ensure that they have completed the required training in a timely manner. After the completion of our audit testing and prior to the issuance of our report, we noted that the one board member did complete his training.

The School's response to the findings identified in our audit is included in the Written Statement of Explanation or Rebuttal on page 31. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the School, the District School Board of Lee County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*BKHM, P.A.*

Winter Park, Florida  
September 11, 2011

**ADDITIONAL INFORMATION REQUIRED BY  
RULES OF THE AUDITOR GENERAL,  
CHAPTER 10.850, *AUDITS OF CHARTER SCHOOLS  
AND SIMILAR ENTITIES***



To the Board of Directors of Fort Myers Preparatory and Fitness Academy, Inc., a Charter School and Component Unit of the District School Board of Lee County, Florida

We have audited the financial statements of the governmental activities and each major fund of Fort Myers Preparatory and Fitness Academy, Inc. (the "School") as of and for the year ended June 30, 2011 and have issued our report thereon dated September 11, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated September 11, 2011, should be considered in conjunction with this management letter.

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

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations in the preceding annual financial audit report.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control



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

- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name official title of the school. The official title of the School is Fort Myers Preparatory and Fitness Academy, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes (“the conditions”). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2011, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. It is management’s responsibility to monitor the School’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Board of Directors and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*BKHM, P.A.*

Winter Park, Florida  
September 11, 2011





# FORT MYERS

PREPARATORY AND FITNESS ACADEMY

*Knowledge. Strength. Values.*

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## Written Statement of Explanation or Rebuttal

The audit was completed in a proper and professional manner and we had no significant disagreements and no concerns about the firm that completed the audit. Our response to the finding in the audit is below.

1. As noted in the finding, the one Board member who was tardy in completing the Board training has completed it. All Board members are now compliant with this requirement. We will endeavor to insure that Board members complete state mandated training within the required timeline in the future.

Overall, we believe this finding to be a minor compliance issue, and are pleased with the confirmation that our operations and financial reports are sound. We will however address the finding promptly and ensure that it is not repeated.

Sincerely,

  
John Maslanja, Board Chair  
Fort Myers Prep and Fitness Academy