



**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, 2013**



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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, 2013. 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 financial statements to enhance their understanding of the School's financial performance.

### FINANCIAL HIGHLIGHTS

The assets of the School were greater than the liabilities and deferred inflows of resources at the close of the fiscal year, resulting in net position of \$23,103.

Revenues from state and local sources increased 25% (\$350,385), while revenues from federal sources decreased 6% (\$8,724) and other sources increased 1% (\$161) for a net increase in revenues of 22% (\$341,822). The School's student count was significantly higher than the previous year, resulting in higher revenues for the School offset by the decrease in federal funding. Expenses were adjusted to reflect this higher student count, resulting in a corresponding increase in operating expenses.

The School has entered into a management contract with EdVantages Academies, Inc. ("EDV") for most of its functions (see Note 6 to financial statements). Effective August 1, 2013, the School terminated the agreement with EDV and entered into a new management services contract with Celerity Global Development, Inc. ("Celerity").

### 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.

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

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

### Government-Wide Financial Statements

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

The two government-wide financial statements report the School's net position and how they have changed. Net position – the difference between the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the School's financial health or position. Over time, increases or decreases in the School's net position 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 Position

The table below provides a comparative summary of the School's net position for fiscal years 2013 and 2012.

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2013</b>	<b>2012</b>	
Current and Other Assets	\$ 123	\$ 119,220	-100%
Non-Current Assets	37,500	37,500	0%
Capital Assets, Net	<u>1,358,736</u>	<u>-</u>	<u>100%</u>
Total Assets	<u>1,396,359</u>	<u>156,720</u>	<u>791%</u>
Current and Other Liabilities	123	119,220	100%
Non-Current Liabilities	<u>37,500</u>	<u>37,500</u>	<u>0%</u>
Total Liabilities	<u>37,623</u>	<u>156,720</u>	<u>76%</u>
Deferred Inflows of Resources	<u>1,335,633</u>	<u>-</u>	<u>100%</u>
Total Net Position	<u>\$ 23,103</u>	<u>\$ -</u>	<u>100%</u>

Current and other assets decreased based on the timing of receivables and the prior year prepaid rent for the new School facility at year end. Capital assets and deferred inflows of resources increased due to the leasehold improvements to the new School facility. Current and other liabilities decreased due to the reimbursement to the management company for expenses and prepaid rents paid on behalf of the School.

## Changes in Net Position

The table below shows the comparative summary of changes in net position and revenues and expenses for fiscal years 2013 and 2012.

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2013</b>	<b>2012</b>	<b>(Decrease)</b>
<b>Revenues:</b>			
Federal Sources	\$ 136,498	\$ 145,222	-6%
State and Local Sources	1,738,023	1,387,638	25%
Other Revenues	12,052	11,891	1%
Total Revenues	<u>1,886,573</u>	<u>1,544,751</u>	<u>22%</u>
<b>Expenses:</b>			
Instruction	1,103,581	872,343	27%
Instructional Media	-	6,880	-100%
Board	32,980	27,862	18%
General Administration	78,122	65,049	20%
School Administration	230,414	144,757	59%
Food Services	120,627	129,016	-7%
Central Services	35,952	31,184	15%
Pupil Transportation Services	242,167	207,543	17%
Operation of Plant	362,265	248,542	46%
Maintenance of Plant	18,073	10,293	76%
Total Expenses	<u>2,224,181</u>	<u>1,743,469</u>	<u>28%</u>
<b>Special Item:</b>			
Expenses Paid by the Management Company on Behalf of the School	<u>360,711</u>	<u>198,718</u>	<u>82%</u>
Change in Net Position	<u>\$ 23,103</u>	<u>\$ -</u>	<u>100%</u>

Total revenues increased due to higher student enrollment which was offset by the slight decrease in federal funds. Total instruction, general administration, school administration, and pupil transportation services increased in correlation to the higher student enrollment. General administration increased due to the increase in personnel added due to higher student enrollment. Operation of plant and maintenance of plant increased due to the increase in student enrollment and the increased rent expenses relating to the larger facility moved to in the current year.

Certain reclassifications were made in the 2012 amounts to conform to their classifications in fiscal year 2013.

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

The School's final general fund budget estimated a \$500 carryover for the following year. Actual results produced a carryover in the general fund of \$0.

For the general fund, actual revenues were approximately \$116,000 under final budgeted amounts due to lower than expected FEFP per student allocation revenues. Expenditures were approximately \$1,550,000 more than the revised budgeted amount due to the increased capital outlay and overhead costs associated with the increase in facility space and added instructional personnel.

### Special Revenue Fund Budgetary Highlights

For the special revenue fund, actual revenues and expenditures were approximately \$64,000 less than budgeted primarily due to receiving less federal awards than anticipated based on the student demographic change during the year.

## CAPITAL ASSETS

At the end of fiscal 2013, the School had invested \$1,501,761 in leasehold improvements (see table below). There were no other capitalized additions during 2013.

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2013</u>	<u>2012</u>	
Leasehold Improvements	<u>\$1,501,761</u>	<u>\$ -</u>	<u>100%</u>

There were no capital asset disposals in the current year.



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

As explained more fully in Note 6 to the basic financial statements, the School contracts with EDV 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. EDV 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 EDV does not represent a loan or future obligation of the School to EDV.

For fiscal year 2013, the School's fifth year of operation, EDV provided 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 Celerity (the new management services company) during fiscal year 2014.

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

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Craig Knotts, Regional Vice President of Celerity Florida Group, 4740 S. Cleveland Ave., Fort Myers, FL 33907.



## **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

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

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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Myers Preparatory and Fitness Academy, Inc. as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7 and the budgetary comparison information on pages 26 – 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*BKHM, P.A.*

Winter Park, Florida  
September 9, 2013

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

**STATEMENT OF NET POSITION**

**JUNE 30, 2013**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 123
Non-Current Deposits	37,500
Capital Assets:	
Leasehold Improvements	1,501,761
Less Accumulated Depreciation	(143,025)
Total Capital Assets, Net	1,358,736
Total Assets	\$ 1,396,359
<b>LIABILITIES</b>	
Due to Management Company	\$ 123
Long-term Liabilities:	
Due in More Than One Year:	
Due to Management Company	37,500
Total Liabilities	37,623
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Tenant Allowance	1,335,633
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,358,736
Unrestricted	(1,335,633)
Total Net Position	23,103
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,396,359

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

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

**STATEMENT OF ACTIVITIES**

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

		<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities Totals</b>
<b>Governmental Activities:</b>					
Instruction	\$ 1,103,581	\$ -	\$ 22,572	\$ -	\$ (1,081,009)
Board	32,980	-	-	-	(32,980)
General Administration	78,122	-	-	-	(78,122)
School Administration	230,414	-	14,344	-	(216,070)
Food Services	120,627	8,111	105,724	-	(6,792)
Central Services	35,952	-	-	-	(35,952)
Pupil Transportation Services	242,167	-	-	-	(242,167)
Operation of Plant	362,265	-	-	-	(362,265)
Maintenance of Plant	18,073	-	-	-	(18,073)
<b>Total Primary Government</b>	<b>\$ 2,224,181</b>	<b>\$ 8,111</b>	<b>\$ 142,640</b>	<b>\$ -</b>	<b>(2,073,430)</b>
<b>General Revenues:</b>					
State and Local Sources					1,731,881
Other Revenues					3,941
Total General Revenues					1,735,822
<b>Special Item:</b>					
Expenses Paid by EDV on Behalf of the School (See Note 6)					360,711
Change in Net Position					23,103
Net Position at Beginning of Year					-
Net Position at End of Year					<b>\$ 23,103</b>

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

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

**BALANCE SHEET - GOVERNMENTAL FUND**

**JUNE 30, 2013**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 123
Total Assets	<u>\$ 123</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Due to Management Company	\$ 123
Total Liabilities	<u>123</u>
<b>FUND BALANCE</b>	
Unassigned	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 123</u>

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

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

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

**JUNE 30, 2013**

<b>Total Fund Balance - Governmental Fund</b>	\$	-
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets is \$1,501,761, and the accumulated depreciation is \$143,025.</p>		1,358,736
<p>Non-current deposits are not usable in the current period and, therefore, are not reported as assets in the governmental fund. Non-current assets at year-end consist of:</p>		
Security deposits		37,500
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund. Long-term liabilities at year-end consist of:</p>		
Due to Management Company		(37,500)
<p>Deferred tenant allowances are not due and payable in the current period and, therefore, are not reported as deferred inflows of resources in the government fund.</p>		<u>(1,335,633)</u>
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>23,103</u></b>

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

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
A CHARTER SCHOOL AND 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, 2013**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Federal Sources Passed Through			
Local School District	\$ -	\$ 136,498	\$ 136,498
State and Local Sources	1,738,023	-	1,738,023
Other Revenues	12,052	-	12,052
Total Revenues	<u>1,750,075</u>	<u>136,498</u>	<u>1,886,573</u>
<b>EXPENDITURES</b>			
Instruction	956,155	18,704	974,859
Board	32,980	-	32,980
General Administration	78,122	-	78,122
School Administration	201,767	14,344	216,111
Food Services	17,177	103,450	120,627
Central Services	35,952	-	35,952
Pupil Transportation Services	242,167	-	242,167
Operation of Plant	502,858	-	502,858
Maintenance of Plant	18,073	-	18,073
Capital Outlay	1,501,761	-	1,501,761
Total Expenditures	<u>3,587,012</u>	<u>136,498</u>	<u>3,723,510</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Increase in Deferred Tenant Allowance	1,476,226	-	1,476,226
Total Other Financing Sources	<u>1,476,226</u>	<u>-</u>	<u>1,476,226</u>
<b>SPECIAL ITEM</b>			
Expenditures Paid by EDV on Behalf of the School (See Note 6)	360,711	-	360,711
Net Changes in Fund Balances	-	-	-
Fund Balances at Beginning of Year	-	-	-
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.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

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

**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. This is the amount by which capital outlays (\$1,501,761) exceed depreciation expense (\$143,025) in the current year. 1,358,736

Increases in the deferred tenant allowance are reported as other financing sources in the governmental funds because they represent an increase in current financial resources. They are reported as an increase in deferred inflows of revenues in the statement of net position. This is the amount by which increases (\$1,476,226) exceed amortization (\$140,593) in the current year. (1,335,633)

**Change In Net Position Of Governmental Activities** \$ 23,103

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

**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**

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

**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 contracted with EdVantages Academies, Inc. ("EDV") for most of its functions (see Note 6) during 2013. Effective August 1, 2013, the School terminated the agreement with EDV and entered into a new management services contract with Celerity Global Development, Inc. ("Celerity").

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, 2018 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 was staffed with personnel employed by EDV until June 30, 2013.

**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)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Recently Adopted Accounting Pronouncements**

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

**Basis of Presentation**

The 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 Position includes all of the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources and uses. 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.

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

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund – to account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes.

For purposes of these statements, the general and special revenue funds constitute major funds. There are no other governmental funds.

**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 fund 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 Position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

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

**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.

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.

**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 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.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted in the accompanying statement of net position and balance sheet – governmental fund. As of June 30, 2013, the School had no funds restricted for this purpose.

**Capital Assets and Depreciation**

The School has capital assets which are leasehold improvements. Since the School operated under a management agreement with EDV for fiscal 2013 (see Note 6), EDV purchased all other assets needed for the operation of the School.

Depreciation is computed using the straight-line method over the estimated useful life of the leasehold improvement assets of approximately 126 months. Information relative to changes in capital assets is described in Note 3.

**Deferred Tenant Allowance**

In connection with a lease agreement entered into during 2013 with a third party, the School received an allowance of \$1,400,000 towards leasehold improvements, which is being amortized over the 126 month lease term. As of June 30, 2013, the deferred tenant allowance balance was \$1,335,633, net of accumulated amortization of \$133,333. Amortization is recorded as a reduction of rent expense.

**Use of Estimates**

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

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

**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.

**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 9, 2013, which is the date the financial statements were available to be issued.

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

**3 CHANGES IN CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Leasehold improvements	\$ -	\$1,501,761	\$ -	\$1,501,761
Total capital assets at historical cost	<u>-</u>	<u>1,501,761</u>	<u>-</u>	<u>1,501,761</u>
Less accumulated depreciation for:				
Leasehold improvements	-	(143,025)	-	(143,025)
Total accumulated depreciation	<u>-</u>	<u>(143,025)</u>	<u>-</u>	<u>(143,025)</u>
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$1,358,736</u>	<u>\$ -</u>	<u>\$1,358,736</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 128,722
School administration	<u>14,303</u>
Total governmental activities depreciation expense	<u>\$ 143,025</u>



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

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

For the year ended June 30, 2013, state and local revenues were received from the District as follows:

District School Board of Lee County, Florida:	
Florida Education Finance Program	\$ 1,032,601
Class Size Reduction	329,395
Discretionary Millage Funds	127,490
Capital Outlay	67,201
Transportation	61,003
Supplemental Academic Instruction	55,683
ESE Guaranteed Allocation	27,430
Instructional Materials	20,563
County Reimbursements	5,363
Safe Schools	5,152
Teacher Lead	3,868
State Lunch Program	<u>2,274</u>
Total	<u><u>\$ 1,738,023</u></u>

The administration fee paid to the School Board during the year ended June 30, 2013 totaled approximately \$78,000, which is reflected as a general administration expense/expenditure in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

**5 RISK MANAGEMENT**

**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, EDV had contracted with an insurance company for property and general liability insurance (see Note 6).

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

**6 AGREEMENT WITH EDVANTAGES ACADEMIES, INC.**

The School has entered into an annual Management Agreement (“Agreement”) with EDV, 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 EDV. EDV 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 EDV 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 “EDV shall receive 100 percent of any and all grants or funding of any kind generated by EDV, 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 EDV 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 EDV for the year ended June 30, 2013 was \$1,787,608. 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 EDV. EDV 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, 2013, EDV paid expenses to operate the School totaling \$2,148,319. The amount of \$360,711 is the difference between expenses paid by EDV for the operation of the School and the continuing fee earned by EDV and is included as a special item in the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Expenses to operate the School include the direct site expenses of the School and the allocated expenses of the EDV central instructional support personnel. The indirect costs of the EDV administrative office are recorded in the Central Services function on the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Government Funds.

Effective August 1, 2013, the School terminated the agreement with EDV and entered into a new management services contract with Celerity with similar terms and conditions as the agreement with EDV.

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

**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 December 2022. The lease contains varying renewal options and requires the School to pay insurance and other costs which were paid for under the agreement with EDV and Celerity. Aggregate remaining minimum rental commitments as of June 30, 2013 under the lease are as follows:

<b>Year ending June 30,</b>	<b>Amount</b>
2013	\$ 372,635
2014	367,500
2015	375,000
2016	379,998
2017	397,500
2018 - 2022	2,215,002
2023	<u>225,000</u>
Total future minimum lease payments	<u><u>\$ 4,332,635</u></u>

Rent expense for fiscal year 2013 was approximately \$240,000 and is included in operation of plant in the accompanying financial statements.

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
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**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

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

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>REVENUES</b>				
State and Local Sources	\$ 1,845,900	\$ 1,845,900	\$ 1,738,023	\$ (107,877)
Other Revenues	20,000	20,000	12,052	(7,948)
Total Revenues	<u>1,865,900</u>	<u>1,865,900</u>	<u>1,750,075</u>	<u>(115,825)</u>
<b>EXPENDITURES</b>				
Instruction	926,457	926,457	956,155	(29,698)
Board	31,893	31,893	32,980	(1,087)
General Administration	92,295	92,295	78,122	14,173
School Administration	195,443	195,443	201,767	(6,324)
Food Services	16,724	16,724	17,177	(453)
Central Services	34,810	34,810	35,952	(1,142)
Pupil Transportation Services	234,726	234,726	242,167	(7,441)
Operation of Plant	487,150	487,150	502,858	(15,708)
Maintenance of Plant	17,502	17,502	18,073	(571)
Capital Outlay	-	-	1,501,761	(1,501,761)
Total Expenditures	<u>2,037,000</u>	<u>2,037,000</u>	<u>3,587,012</u>	<u>(1,550,012)</u>
<b>OTHER FINANCING SOURCES</b>				
Increase in Deferred Tenant Allowance	-	-	1,476,226	1,476,226
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>1,476,226</u>	<u>1,476,226</u>
<b>SPECIAL ITEM</b>				
Expenditures Paid by EDV on Behalf of the School (See Note 6)	171,600	171,600	360,711	189,111
Net Changes in Fund Balance	500	500	-	(500)
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ (500)</u>

See report of independent auditors.

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
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**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND**

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

	<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	\$ 200,000	\$ 200,000	\$ 136,498	\$ (63,502)
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>136,498</u>	<u>(63,502)</u>
<b>EXPENDITURES</b>				
Instruction	75,000	75,000	18,704	56,296
School Administration	-	-	14,344	(14,344)
Food Services	125,000	125,000	103,450	21,550
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>136,498</u>	<u>63,502</u>
Net Changes in Fund Balance	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Fort Myers Preparatory and Fitness Academy, Inc. ("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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 9, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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.



We consider the following deficiency in the School's internal control to be a material weakness:

2013-01 Financial Reporting: Proper recording and reporting of transactions is an important component of internal control. During our audit procedures, we identified several instances where expenses/expenditures were not coded to the proper *Florida Red Book* function or were incorrectly expensed. Adjustments to assets, liabilities, net position and expenses were required to record transactions in accordance with generally accepted accounting principles. After the auditors' identification of these errors, management recorded all necessary adjustments to correct the School's records. The errors appear to be caused by a lack of sufficient management review. Management should enhance policies and procedures to effectively review the recording and reporting of financial transactions.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

The School's response to the finding identified in our audit is described in the written statement of explanation or rebuttal on page 33. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BKHM, P.A.*

Winter Park, Florida  
September 9, 2013

1560 Orange Avenue, Suite 600, Winter Park, Florida 32789 | 407.998.9000 | Fax 407.998.9010  
[www.bkhamcpa.com](http://www.bkhamcpa.com)

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





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, 2013, and have issued our report thereon dated September 9, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 9, 2013, should be considered in conjunction with this management letter.

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

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the prior year.
- 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.



- 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 occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we 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 name of the School is Fort Myers Preparatory and Fitness Academy, Inc.
- Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2013, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and applicable management and the Board of Directors of the School and is not intended to be and should not be used by anyone other than these specified parties.

*BKHM, P.A.*

Winter Park, Florida  
September 9, 2013



September 7, 2013

Neal Renault, CPA  
BKHM, PA  
1560 Orange Avenue, Suite 600  
Winter Park, FL 32789

Dear Mr. Renault:

In response to the material weakness noted in the financial audit for the year ended June 30, 2013, Fort Myers Preparatory and Fitness Academy acknowledges that there were adjustments necessary due to errors arising from not coding in compliance with the Florida Red Book. As the new management company of record we do not anticipate these types of errors reoccurring due to the lack of management review. We have full access to view all transactions at all times and have policies and processes already set in place for the review of transactions and reporting on a regular basis.

Sincerely,

Vielka McFarlane  
President/CEO