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

**AUDIT REPORT**

**JUNE 30, 2014**

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

**INTRODUCTORY SECTION**

**JUNE 30, 2014**

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF  
LEE COUNTY, FLORIDA  
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JUNE 30, 2014**

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**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
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LEE COUNTY, FLORIDA**

**FINANCIAL SECTION**

**JUNE 30, 2014**



## INDEPENDENT AUDITORS' REPORT

### Board of Directors

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., a Charter School and Component Unit of the District School Board of Lee County, Florida, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Fort Myers Preparatory and Fitness Academy, Inc.'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 State 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.

### Opinion

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, 2014, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT

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### 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 4 through 8 and budgetary comparison information on pages 24 and 25 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 Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fort Myers Preparatory and Fitness Academy, Inc.'s financial statements as a whole. The supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 9, 2014, on our consideration of Fort Myers Preparatory and Fitness Academy, Inc.'s internal control over financial reporting and 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* in considering Fort Myers Preparatory and Fitness Academy, Inc.'s internal control over financial reporting and compliance.

*Hosaka, Rotherham & Company*

San Diego, California  
September 9, 2014

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.**  
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**LEE COUNTY, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

As management of the Fort Myers Preparatory and Fitness Academy, Inc., a Charter School and Component Unit of the District School Board of Lee County, Florida, (School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the School's basic financial statements and accompanying notes, which begin immediately following this analysis. This annual financial report consists of two main parts (1) Management's Discussion and Analysis and, (2) Basic Financial Statements.

### **FINANCIAL HIGHLIGHTS**

- The School's ending total net position balance was (\$353,829).
- The change in net position for the year was a decrease of \$376,932.
- The School had an excess of revenues over expenditures in the General Fund (before transfers) in the amount of \$47,058 in the current year.
- This year the School had \$4,700 worth of additions to capital assets compared to \$1,501,761 last year.
- Effective August 1, 2013, the School entered into a new management services contract with Celerity Global Development, Inc. (Celerity).

### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's audit report is comprised of four components: 1) financial statements and notes, 2) supplementary information, 3) reports on compliance and internal control, and 4) findings and recommendations.

**Basic financial statements:** The basic financial statements include government-wide financial statements and fund statements. The two sets of statements are tied together by reconciliations showing why they differ.

The School as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector.

More detailed information about the School's most significant funds, not the School as a whole, is provided in the fund financial statements. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs.

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

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**JUNE 30, 2014**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

The *Statement of Activities*, a government-wide statement, presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Balance Sheet* for governmental funds presents financial information by fund types showing money left at year-end available for spending.

The *Statement of Revenues, Expenditures and Changes in Fund Balances* for all governmental fund types focuses on how money flows into and out of the various funds.

The *Notes to the Basic Financial Statements* are included to provide more detailed data and explain some of the information in the statements.

The *Supplementary Information* further explains and supports the information in the financial statements.

The *Report on Internal Control* encompasses the independent auditor's reports showing compliance with *Government Auditing Standards* and provides additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

This document also includes the management letter required by the Rules of the Auditor General, Chapter 10.850.

**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.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

- *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 Schools 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.

**Statement of Net Position**

A summary of the School's Statement of Net Position is presented in Table 1 below for the current year and the prior year.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities exceeded assets by \$353,829 as of June 30, 2014.

**TABLE 1**  
**Condensed Statement of Net Position**

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>
Current assets	\$ 49,282	\$ 123	\$ 49,159
Non-current assets	37,500	37,500	-
Capital assets (net)	1,219,941	1,358,736	(138,795)
Total assets	<u>\$ 1,306,723</u>	<u>\$ 1,396,359</u>	<u>\$ (89,636)</u>
Current liabilities	\$ 2,224	\$ 123	\$ 2,101
Long term liabilities	463,288	37,500	425,788
Total liabilities	465,512	37,623	427,889
Deferred Inflows of resources	1,195,040	1,335,633	(140,593)
Net position:			
Unrestricted (deficit)	(353,829)	23,103	(376,932)
Total net position (deficit)	<u>\$ (353,829)</u>	<u>\$ 23,103</u>	<u>\$ (376,932)</u>

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

**FUND FINANCIAL STATEMENTS (CONTINUED)**

**Statement of Activities**

A summary of the School's Statement of Activities is presented in Table 2 below for the current year and the prior year.

Expenses exceeded revenues for the year ended June 30, 2014, by \$376,932 which represents a 4.5% increase when compared with the prior year.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2014, and 2013.

**TABLE 2**  
Condensed Statement of Activities

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues	\$ 1,661,505	\$ 1,886,573	\$ (225,068)	-11.93%
Expenses	(2,038,437)	(2,247,284)	208,847	-9.29%
Change in net position	<u>\$ (376,932)</u>	<u>\$ (360,711)</u>	<u>\$ (16,221)</u>	4.50%

**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.

**CAPITAL ASSETS**

During the fiscal 2014 year, the School had one leasehold improvement addition of \$4,700.

**TABLE 3**  
Changes in Capital Assets

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Leasehold Improvements	\$ 1,506,461	\$ 1,501,761	\$ 4,700	0.31%
Less: accumulated depreciation	(286,520)	(143,025)	(143,495)	100.33%
Capital assets, net	<u>\$ 1,219,941</u>	<u>\$ 1,358,736</u>	<u>\$ (138,795)</u>	-10.22%

There were no capital asset disposals in the current year.

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
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LEE COUNTY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

The School is not aware of any conditions that would have a significant impact on the School's financial position, net assets, or operating results in terms of past, present; however, no representations are made with respect to the future.

**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.

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
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**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Governmental Activities
<b>ASSETS:</b>	
Prepaid expenses	\$ 49,282
Non-current deposits	37,500
Capital assets:	
Leasehold Improvements	1,506,461
Less: accumulated depreciation	(286,520)
Total capital assets	1,219,941
Total assets	\$ 1,306,723
<b>LIABILITIES:</b>	
Current liabilities:	
Other current liabilities	\$ 2,224
Total current liabilities	2,224
Long-term liabilities:	
Due to Management Company	463,288
Total long-term liabilities	463,288
Total liabilities	465,512
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred Tenant Allowance	1,195,040
<b>NET POSITION</b>	
Net investment in capital assets	1,219,941
Unrestricted	(1,573,770)
Total net position	(353,829)
Total liabilities, deferred inflows of resources and net position	\$ 1,306,723

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

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.**  
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**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Government activities:					
Instruction	\$ 848,926	\$ -	\$ -	\$ -	\$ (848,926)
Instructional Support Services	56,014	-	-	-	(56,014)
Board	1,506	-	-	-	(1,506)
Fiscal Services	71,009	-	-	-	(71,009)
School Administration	99,710	-	-	-	(99,710)
Food Services	235,899	117,832	-	-	(118,067)
Central Services	84,670	-	-	-	(84,670)
Student Transportation Services	211,973	-	-	-	(211,973)
Operation of Plant	377,178	-	-	-	(377,178)
Maintenance of Plant	25,889	-	-	-	(25,889)
Unallocated depreciation	143,495	-	-	-	(143,495)
Total governmental activities	<u>\$ 2,156,269</u>	<u>\$ 117,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,038,437)</u>
General revenues:					
Federal Sources					106,324
State and Local Sources					1,546,342
Other Revenues					<u>8,839</u>
Total general revenues					<u>1,661,505</u>
Change in net position					(376,932)
Net position - beginning					<u>23,103</u>
Net position (deficit) - ending					<u>\$ (353,829)</u>

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

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.**  
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**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General Fund
<b>ASSETS:</b>	
Prepaid expenses	\$ 49,282
Total assets	\$ 49,282
<b>LIABILITIES AND FUND BALANCE:</b>	
Liabilities:	
Other current liabilities	\$ 2,224
Total liabilities	\$ 2,224
Fund balance:	
Unassigned	\$ 47,058
Total fund balance	47,058
Total liabilities and fund balance	\$ 49,282

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

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.**  
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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE**  
**SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

Total fund balances - governmental fund balance sheet	\$	47,058
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported in the fund.		1,219,941
Non-current deposits are not reported in the fund.		37,500
Other long-term liabilities which are not due and payable in the current period are not reported in the fund.		(463,288)
Deferred Tenant Allowances which are not due and payable in the current period are not reported in the fund.		<u>(1,195,040)</u>
Net position of governmental activities - statement of net position (deficit)	\$	<u><u>(353,829)</u></u>

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.**  
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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues:</b>			
Federal Sources Passed through:			
Local School District	\$ -	\$ 106,324	\$ 106,324
State and Local Sources	1,546,342	-	1,546,342
Other Revenues	8,839	-	8,839
<b>Total revenues</b>	<b>1,555,181</b>	<b>106,324</b>	<b>1,661,505</b>
<b>Expenditures:</b>			
Instruction	848,926	14,569	863,495
Instructional Support Services	56,014	-	56,014
Board	1,506	-	1,506
Fiscal Services	71,009	-	71,009
School Administration	99,710	11,173	110,883
Food Services	118,067	80,582	198,649
Central Services	84,670	-	84,670
Student Transportation Services	211,973	-	211,973
Operation of Plant	377,178	-	377,178
Maintenance of Plant	25,889	-	25,889
Unallocated depreciation	143,495	-	143,495
<b>Total expenditures</b>	<b>2,038,437</b>	<b>106,324</b>	<b>2,144,761</b>
<b>Special Item:</b>			
Expenditures Paid by EDV on Behalf of the School (Note 6)	530,314	-	530,314
Change in fund balance	47,058	-	47,058
Fund balance - beginning	-	-	-
Fund balance - ending	\$ 47,058	\$ -	\$ 47,058



**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 FISCAL YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds	\$	47,058
<p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p>		
Repayment of loan is an expenditure in the funds but is not an expense in the SOA.		(425,788)
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.		1,219,941
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.		<u>(1,195,040)</u>
Change in net position of governmental activities - statement of activities	\$	<u><u>(353,829)</u></u>

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – DESCRIPTION OF SCHOOL AND REPORTING ENTITY**

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

Effective August 1, 2013, the School terminated the agreement with Edvanatages Academies, Inc. (EDV). The School contracted with Celerity Global Development, Inc. (Celerity) for most of its functions (see Note 6) during 2014.

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 Schools 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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Accounting Policies

The accounting policies of the School conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

2. Implementation of New Accounting Pronouncements

For the fiscal year ended June 30, 2014, the School elected to adopt GASB Statement No. 63 (GASB No. 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of GASB No. 63 is to provide guidance to include two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are required to be reported in a Statement of Net Position in a separate section

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2. Implementation of New Accounting Pronouncements (Continued)

following assets. Similarly, amounts reported as deferred inflows of resources are required to be reported in a Statement of Net Position in a separate section following liabilities. In addition, the totals of these two new classifications should be added to the total for assets and liabilities, respectively.

Another change to financial reporting will include new definitions and calculations of former net asset classifications-invested in capital assets, net of related debt, restricted and unrestricted. Invested in capital assets, net of related debt will be titled "Net Investment in Capital Assets." The title of the other two classifications will remain the same. The calculations used in arriving at the balances of the classifications will be similar to what they were before, but each will include the new components of deferred outflow and deferred inflow of resources consistent with the placement of assets and liabilities, respectively.

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the School. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The School currently has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The School does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements: The fund financial statements provide information about the School's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major government funds, each displayed in a separate column. All the remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The School reports the following major 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.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
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**LEE COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

a. Basis of Presentation (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 and special revenue funds constitute major funds. There are no other governmental funds.

b. 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.

4. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30, 2014.

5. Budgets and Budgetary Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

6. Assets, Liabilities, and Equity

a. Prepays

The School has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The School has chosen to report the expenditure when purchased.

b. Capital Assets

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.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Leasehold Improvements	10.5

c. 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, 2014, the deferred tenant allowance balance was \$1,195,040, net of accumulated amortization of \$133,333. Amortization is recorded as a reduction of rent expense.

d. Income taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3). It is, however, subject to income taxes from activities unrelated to its tax-exempt purpose. The Organization uses the same accounting methods for tax and financial reporting.

Generally accepted accounting principles (GAAP) provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years, after they are filed.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

6. Assets, Liabilities, and Equity (Continued)

e. Fund Balance Reserves and Designation

The School has adopted GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balances categories listed below:

- *Nonspendable*, such as fund balance associated with revolving funds, inventories, prepaids, long-term loans and notes receivable, and property held for resale.
- *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* fund balance classification includes amounts that can be used for the specific purposes determined by a formal action of the Board of Directors.
- *Assigned* fund balance classification are intended to be used by the entity for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned* fund balance is the residual classification for the entity's general fund and includes all spendable amounts not contained in the other classification.

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.

f. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 3 – CAPITAL ASSETS**

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

<u>Governmental activities</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Capital assets, being depreciated:				
Leasehold Improvements	\$ 1,501,761	\$ 4,700	\$ -	\$ 1,506,461
Total capital assets, being depreciated	<u>1,501,761</u>	<u>4,700</u>	<u>-</u>	<u>1,506,461</u>
Less accumulated depreciation for:				
Leasehold Improvements	(143,025)	(143,495)	-	(286,520)
Total accumulated depreciation	<u>(143,025)</u>	<u>(143,495)</u>	<u>-</u>	<u>(286,520)</u>
Total capital assets, being depreciated, net	<u>1,358,736</u>	<u>(138,795)</u>	<u>-</u>	<u>1,219,941</u>
Capital assets, net of depreciation	<u>\$ 1,358,736</u>	<u>\$ (138,795)</u>	<u>\$ -</u>	<u>\$ 1,219,941</u>

**NOTE 4 – COMMITMENTS AND CONTINGENCIES**

1. 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, 2014, under the lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
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>3,960,000</u>

Rent expense totaling approximately \$240,000 for the fiscal year 2014 is included in operation of plant in the accompanying financial statements.

2. 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.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 5 – 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.

**NOTE 6 – AGREEMENTS**

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 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 student 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. Two percent of the base state per student 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, 2014, EDV paid expenses on behalf of the School in the amount of \$530,314 and is included as a special item in 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 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 the Fund Balances – Governmental Funds.



**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
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JUNE 30, 2014**

**NOTE 6 – AGREEMENTS (CONTINUED)**

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.

**NOTE 7 – SUBSEQUENT EVENTS**

The School's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through September 9, 2014, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
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**REQUIRED SUPPLEMENTARY INFORMATION SECTION**

**JUNE 30, 2014**

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF**  
**LEE COUNTY, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
State and Local Sources	\$ 2,608,663	\$ 2,608,663	\$ 1,548,227	\$ (1,060,436)
Other Revenues	20,000	20,000	6,954	(13,046)
Total revenues	<u>2,628,663</u>	<u>2,628,663</u>	<u>1,555,181</u>	<u>(1,073,482)</u>
<b>Expenditures:</b>				
Instruction	1,322,280	1,322,280	848,926	473,354
Instructional Support Services	31,800	31,800	56,014	(24,214)
Board	-	-	1,506	(1,506)
Fiscal Services	127,025	127,025	71,009	56,016
School Administration	180,980	180,980	99,710	81,270
Food Services	16,800	16,800	118,067	(101,267)
Central Services	-	-	84,670	(84,670)
Student Transportation Services	275,000	275,000	211,973	63,027
Operation of Plant	472,120	472,120	377,178	94,942
Maintenance of Plant	-	-	25,889	25,889
Depreciation	-	-	143,495	143,495
Total expenditures	<u>2,426,005</u>	<u>2,426,005</u>	<u>2,038,437</u>	<u>726,336</u>
<b>Special Item:</b>				
Expenditures Paid by EDV on behalf of the School (Note 6)	-	-	530,314	530,314
Net change in fund balance	202,658	202,658	(483,256)	(685,914)
Fund balance, beginning	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Fund balance, ending	<u>\$ 203,158</u>	<u>\$ 203,158</u>	<u>\$ 47,058</u>	<u>\$ (156,100)</u>

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF  
LEE COUNTY, FLORIDA  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Federal Sources Passed Through	\$ 200,000	\$ 200,000	\$ 106,324	\$ (93,676)
Local School District	-	-	-	-
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>106,324</u>	<u>(93,676)</u>
<b>Expenditures:</b>				
Instruction	75,000	75,000	14,569	60,431
School Administration	-	-	11,173	(11,173)
Food Services	125,000	125,000	80,582	44,418
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>106,324</u>	<u>49,258</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.  
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LEE COUNTY, FLORIDA**

**OTHER INDEPENDENT AUDITORS' REPORTS SECTION**

**JUNE 30, 2014**



**INDEPENDENT AUDITORS' 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**

Board of Directors

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 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., a Charter School and Component Unit of the District School Board of Lee County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Fort Myers Preparatory and Fitness Academy, Inc.'s basic financial statements, and have issued our report thereon dated September 9, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fort Myers Preparatory and Fitness Academy, Inc.'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 of the effectiveness of Fort Myers Preparatory and Fitness Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Fort Myers Preparatory and Fitness Academy, Inc.'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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' 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**

**Page 2**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fort Myers Preparatory and Fitness Academy, Inc.'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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.

*Hosaka, Rotherham & Company*

San Diego, California  
September 9, 2014

**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. (School) as of and for the year ended June 30, 2014, and have issued our report thereon dated September 9, 2014.

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, 2014, 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. We have determined that the prior year finding has been addressed and corrective actions have been taken.
- Section 10854(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, 2014, 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.

*Hosaka, Rotherham & Company*

San Diego, California  
September 9, 2014