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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, 2015

**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, 2015

**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, 2015**

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

FINANCIAL SECTION

JUNE 30, 2015



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, 2015, 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, 2015, 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 August 26, 2015, 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.

Rotherham & Co.

San Diego, California
August 26, 2015

**FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF
LEE COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015. 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 deficit balance was (\$716,346).
- The change in net position for the year was a decrease of \$362,517.
- The School had a deficiency of revenues over expenditures in the General Fund (before transfers) in the amount of \$14,639 in the current year.
- This year the School had \$0 worth of additions to capital assets compared to \$4,700 last year.

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, 2015**

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, 2015

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 \$716,346 as of June 30, 2015.

TABLE 1
Condensed Statement of Net Position

	2015	2014	\$ Change
Current assets	\$ 33,644	\$ 49,282	\$ (15,638)
Non-current assets	37,500	37,500	-
Capital assets (net)	1,076,484	1,219,941	(143,457)
Total assets	\$ 1,147,628	\$ 1,306,723	\$ (159,095)
Current liabilities	\$ 1,225	\$ 2,224	\$ (999)
Long term liabilities	667,349	463,288	204,061
Total liabilities	668,574	465,512	203,062
Deferred Inflows of resources	1,195,400	1,195,040	360
Net position:			
Unrestricted (deficit)	(716,346)	(353,829)	(362,517)
Total net position (deficit)	\$ (716,346)	\$ (353,829)	\$ (362,517)

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015, by \$362,517 which represents a 3.8% decrease when compared with the prior year.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2015, and 2014.

TABLE 2
Condensed Statement of Activities

	2015	2014	\$ Change	% Change
Revenues	\$ 2,106,255	\$ 1,661,505	\$ 444,750	26.77%
Expenses	(2,468,772)	(2,038,437)	(430,335)	21.11%
Change in net position	<u>\$ (362,517)</u>	<u>\$ (376,932)</u>	<u>\$ 14,415</u>	<u>-3.82%</u>

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 2015 year, the School had no leasehold improvements.

TABLE 3
Changes in Capital Assets

	2015	2014	\$ Change	% Change
Leasehold Improvements	\$ 1,506,461	\$ 1,506,461	\$ -	0.00%
Less: accumulated depreciation	(429,977)	(286,520)	(143,457)	50.07%
Capital assets, net	<u>\$ 1,076,484</u>	<u>\$ 1,219,941</u>	<u>\$ (143,457)</u>	<u>-11.76%</u>

There were no capital asset disposals in the current year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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.
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STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS:	
Cash	\$ 6,910
Accounts receivable	18,519
Prepaid expenses	8,215
Total current assets	33,644
Non-current deposits	37,500
Capital assets:	
Leasehold Improvements	1,506,461
Less: accumulated depreciation	(429,977)
Total capital assets	1,076,484
Total assets	\$ 1,147,628
LIABILITIES:	
Current liabilities:	
Other current liabilities	\$ 1,225
Total current liabilities	1,225
Long-term liabilities:	
Due to Management Company	667,349
Total long-term liabilities	667,349
Total liabilities	668,574
DEFERRED INFLOWS OF RESOURCES:	
Deferred Tenant Allowance	1,195,400
NET POSITION	
Net investment in capital assets	1,076,484
Unrestricted	(1,792,830)
Total net position	(716,346)
Total liabilities, deferred inflows of resources and net position	\$ 1,147,628

The notes to the 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 FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Government activities:					
Instruction	\$ 1,026,117	\$ -	\$ -	\$ -	\$ (1,026,117)
Instruction and Curriculum Development Services	38,486	-	-	-	(38,486)
Board	110	-	-	-	(110)
School Administration	7,667	-	-	-	(7,667)
Fiscal Services	70,014	-	-	-	(70,014)
Food Services	255,140	-	262,118	-	6,978
Student Transportation Services	231,706	-	-	-	(231,706)
Operation of Plant	696,075	-	-	-	(696,075)
Unallocated depreciation	143,457	-	-	-	(143,457)
Total governmental activities	<u>\$ 2,468,772</u>	<u>\$ -</u>	<u>\$ 262,118</u>	<u>\$ -</u>	<u>(2,206,654)</u>
General revenues:					
State and Local Sources					1,834,140
Other Revenues					<u>9,997</u>
Total general revenues					<u>1,844,137</u>
Change in net position					(362,517)
Net position - beginning					<u>(353,829)</u>
Net position (deficit) - ending					<u>\$ (716,346)</u>

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

FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
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LEE COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund
ASSETS:	
Cash	\$ 6,910
Accounts receivable	18,519
Prepaid expenses	8,215
Total assets	\$ 33,644
 LIABILITIES AND FUND BALANCE:	
Liabilities:	
Other current liabilities	\$ 1,225
Total liabilities	\$ 1,225
Fund balance:	
Unassigned	\$ 32,419
Total fund balance	32,419
Total liabilities and fund balance	\$ 33,644

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, 2015

Total fund balances - governmental fund balance sheet	\$	32,419
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.		1,076,484
Non-current deposits are not reported in the fund.		37,500
Due to management company amounts are not reported in the fund.		(667,349)
Deferred Tenant Allowances which are not due and payable in the current period are not reported in the fund.		<u>(1,195,400)</u>
Net position of governmental activities - statement of net position (deficit)	\$	<u><u>(716,346)</u></u>

FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
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LEE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Federal Sources Passed through:			
Local School District	\$ -	\$ 262,118	\$ 262,118
State and Local Sources	1,834,140	-	1,834,140
Other Revenues	9,997	-	9,997
	<u>1,844,137</u>	<u>262,118</u>	<u>2,106,255</u>
Expenditures:			
Instruction	1,021,386	4,731	1,026,117
Instruction and Curriculum Development Services	38,137	349	38,486
Board	110	-	110
School Administration	(18,414)	26,081	7,667
Fiscal Services	(87,655)	157,669	70,014
Food Services	181,852	73,288	255,140
Student Transportation Services	231,706	-	231,706
Operation of Plant	696,075	-	696,075
Expenditures Paid by Celerity on Behalf of the School (Note 6)	(204,421)	-	(204,421)
	<u>1,858,776</u>	<u>262,118</u>	<u>2,120,894</u>
Deficiency of revenues over expenditures	<u>(14,639)</u>	<u>-</u>	<u>(14,639)</u>
Fund balance - beginning	<u>47,058</u>	<u>-</u>	<u>47,058</u>
Fund balance - ending	<u>\$ 32,419</u>	<u>\$ -</u>	<u>\$ 32,419</u>

FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
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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 FISCAL YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds	\$	(14,639)
Amounts reported for governmental activities in the statement of activities (SOA) are different because:		
The depreciation of capital assets used in governmental activities is not reported in the fund.		(143,457)
Repayment of expenses paid by Celerity are not reported in the SOA.		<u>(204,421)</u>
Change in net position of governmental activities - statement of activities	\$	<u><u>(362,517)</u></u>

FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.
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LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

The School contracted with Celerity Global Development, Inc. (Celerity) for all of its functions (see Note 6) during 2015.

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.

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, 2015, 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, 2015

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.

For the fiscal year ended June 30, 2015, the School elected to adopt GASB Statement No. 68 (GASB No. 68), *Accounting and Financial Reporting for Pensions*. The objective of GASB No. 68 is to provide guidance to address accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. At June 30, 2015, GASB Statement No. 68 had no effect on the School as no pension is provided to the employees.

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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Basis of Presentation (Continued)

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.

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, 2015.

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.

**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
JUNE 30, 2015**

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.

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

Asset Class	Estimated Useful Lives
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, 2015, the deferred tenant allowance balance was \$1,195,400, 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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JUNE 30, 2015

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.

FORT MYERS PREPARATORY AND FITNESS ACADEMY, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, 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	\$ 1,506,461	\$ -	\$ -	\$ 1,506,461
Total capital assets, being depreciated	<u>1,506,461</u>	<u>-</u>	<u>-</u>	<u>1,506,461</u>
Less accumulated depreciation for:				
Leasehold Improvements	(286,520)	(143,457)	-	(429,977)
Total accumulated depreciation	<u>(286,520)</u>	<u>(143,457)</u>	<u>-</u>	<u>(429,977)</u>
Total capital assets, being depreciated, net	<u>1,219,941</u>	<u>(143,457)</u>	<u>-</u>	<u>1,076,484</u>
Capital assets, net of depreciation	<u>\$ 1,219,941</u>	<u>\$ (143,457)</u>	<u>\$ -</u>	<u>\$ 1,076,484</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 Celerity. Aggregate remaining minimum rental commitments as of June 30, 2015, under the lease are as follows:

<u>Year Ending</u>	<u>Amount</u>
<u>June 30,</u>	
2016	\$ 379,998
2017	397,500
2018-2022	2,215,002
2023	225,000
Total future minimum lease payments	<u>\$ 3,217,500</u>

Rent expense totaling approximately \$240,000 for the fiscal year 2015 is included in services and other operating expenses 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.

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, 2015

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 Celerity, 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 Celerity. Celerity 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 Celerity 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 "Celerity shall receive 100 percent of any and all grants or funding of any kind generated by Celerity, 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 Celerity 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 Celerity. Celerity 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, 2015, Celerity paid expenses on behalf of the School in the amount of \$204,421 and is included 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 Celerity central instructional support personnel. The indirect costs of the Celerity 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 – Government 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
JUNE 30, 2015**

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 August 26, 2015, 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.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF
LEE COUNTY, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION SECTION

JUNE 30, 2015

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State and Local Sources	\$ 2,089,044	\$ 2,089,044	\$ 1,834,140	\$ (254,904)
Other Revenues	20,500	20,500	9,997	(10,503)
Total revenues	<u>2,109,544</u>	<u>2,109,544</u>	<u>1,844,137</u>	<u>(265,407)</u>
Expenditures:				
Certificated salaries	893,839	893,839	692,098	201,741
Classified salaries	174,395	174,395	177,696	(3,301)
Employee benefits	209,076	209,076	151,243	57,833
Books and supplies	39,211	39,211	23,270	15,941
Services and other operating expenses	1,154,483	1,154,483	1,014,486	139,997
Expenditures Paid by Celerity on behalf of the School (Note 6)	-	-	(204,421)	204,421
Non-capitalized equipment	10,500	10,500	3,827	6,673
Other expenses	1,000	1,000	577	423
Total expenditures	<u>2,482,504</u>	<u>2,482,504</u>	<u>1,858,776</u>	<u>623,728</u>
Net change in fund balance	(372,960)	(372,960)	(14,639)	358,321
Fund balance, beginning	500	500	47,058	46,558
Fund balance, ending	<u>\$ (372,460)</u>	<u>\$ (372,460)</u>	<u>\$ 32,419</u>	<u>\$ 404,879</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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Sources Passed Through				
Local School District	\$ 204,139	\$ 204,139	\$ 262,118	\$ 57,979
Total revenues	<u>204,139</u>	<u>204,139</u>	<u>262,118</u>	<u>57,979</u>
Expenditures:				
Certificated salaries	-	-	4,731	(4,731)
Classified salaries	-	-	349	(349)
Books and supplies	-	-	26,081	(26,081)
Services and other operating expenses	122,500	122,500	157,669	(35,169)
Non-capitalized equipment	-	-	73,288	(73,288)
Total expenditures	<u>122,500</u>	<u>122,500</u>	<u>262,118</u>	<u>(139,618)</u>
Net change in fund balance	81,639	81,639	-	(81,639)
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ 81,639</u>	<u>\$ 81,639</u>	<u>\$ -</u>	<u>\$ (81,639)</u>

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

OTHER INDEPENDENT AUDITORS' REPORTS SECTION

JUNE 30, 2015



**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, 2015, 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 August 26, 2015.

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.

Rotherham & Co.

San Diego, California
August 26, 2015

**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, 2015, and have issued our report thereon dated August 26, 2015.

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 August 26, 2015, should be considered in conjunction with this management letter.

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

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations in the prior year.
- 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, 2015, 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.

Rotherham & Co.

San Diego, California
August 26, 2015