

**CLEARWATER CHRISTIAN COLLEGE  
PRIVATE SCHOOL, INC.**

**Financial Statements  
For the Years Ended June 30, 2014 and 2013**

**(With Independent Auditors' Report Thereon)**

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**MANAGEMENT LETTER**



# MARTIN · SMITH

& COMPANY CPAs

## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Board of Trustees  
Clearwater Christian College  
Private School, Inc.  
Clearwater, Florida

We have audited the accompanying statements of financial position of Clearwater Christian College Private School, Inc., as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended.

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

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

### **Auditor's Responsibility**

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

An audit 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 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clearwater Christian College Private School, Inc., as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2014, on our consideration of Clearwater Christian College Private School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

**Other Matters**

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the College's financial statements. The Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"; Section 215.97, Florida Statutes; and Chapter 10.650, Rules of the Auditor General, is presented for purposes of additional analysis and is not a required part of the financial statements of Clearwater Christian College Private School, Inc.. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and State Financial Assistance is fairly stated in all material respects in relation to the financial statements taken as a whole

*Martin Smith & Company CPAs PA*

August 29, 2014

**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2014 and 2013**

	<b>2014</b>				<b>2013</b>			
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
<b><u>ASSETS</u></b>								
Cash and cash equivalents (Note 2)	\$ 1,787,554	\$ 32,506	\$ 84,172	\$ 1,904,232	\$ 1,801,708	\$ 101,661	\$ -	\$ 1,903,369
Investments (Note 3)	491,019	231,187	520,766	1,242,972	239,476	-	530,727	770,203
Accounts receivable, net (Note 4)	48,537	-	-	48,537	78,806	-	-	78,806
Prepays and other assets (Note 5)	3,994,009	-	-	3,994,009	4,210,833	158,252	14,378	4,383,463
Property, plant, and equipment, net (Note 6)	7,396,705	-	-	7,396,705	7,754,474	-	-	7,754,474
Total assets	<u>\$ 13,717,824</u>	<u>\$ 263,693</u>	<u>\$ 604,938</u>	<u>\$ 14,586,455</u>	<u>\$ 14,085,297</u>	<u>\$ 259,913</u>	<u>\$ 545,105</u>	<u>\$ 14,890,315</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>								
Accounts payable	\$ 29,268	\$ -	\$ -	\$ 29,268	\$ 20,083	\$ -	\$ -	\$ 20,083
Accrued expenses (Note 14)	297,592	-	-	297,592	283,545	-	-	283,545
Agency funds	8,180	-	-	8,180	8,974	-	-	8,974
Deferred income	222,270	-	-	222,270	658,305	-	-	658,305
Annuities payable (Note 13)	1,354	6,108	-	7,462	63,344	6,108	-	69,452
Notes and mortgages payable (Note 8)	9,647,104	-	-	9,647,104	10,175,874	-	-	10,175,874
Total liabilities	<u>10,205,768</u>	<u>6,108</u>	<u>-0-</u>	<u>10,211,876</u>	<u>11,210,125</u>	<u>6,108</u>	<u>-0-</u>	<u>11,216,233</u>
Net assets (Notes 10 and 14)								
Unrestricted	3,512,056	-	-	3,512,056	2,875,172	-	-	2,875,172
Temporarily restricted	-	257,585	-	257,585	-	253,805	-	253,805
Permanently restricted	-	-	604,938	604,938	-	-	545,105	545,105
Total net assets	<u>3,512,056</u>	<u>257,585</u>	<u>604,938</u>	<u>4,374,579</u>	<u>2,875,172</u>	<u>253,805</u>	<u>545,105</u>	<u>3,674,082</u>
Commitments and contingencies (Notes 7, 8, 9 and 10)								
Total liabilities and net assets	<u>\$ 13,717,824</u>	<u>\$ 263,693</u>	<u>\$ 604,938</u>	<u>\$ 14,586,455</u>	<u>\$ 14,085,297</u>	<u>\$ 259,913</u>	<u>\$ 545,105</u>	<u>\$ 14,890,315</u>

See accompanying notes to financial statements.

**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>				<u>2013</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support:								
Tuition and fees, net (Note 12)	\$ 5,638,523	\$ -	\$ -	\$ 5,638,523	\$ 5,573,613	\$ -	\$ -	\$ 5,573,613
Private gifts and donations	948,876	84,046	59,833	1,092,755	671,350	108,590	90,862	870,802
Sales and services of auxiliary enterprises	2,436,694	-	-	2,436,694	2,582,969	-	-	2,582,969
Investment income (Note 3)	183,306	-	-	183,306	131,513	-	-	131,513
Other	115,445	-	-	115,445	109,092	-	-	109,092
Net assets released from restrictions (Note 11)	80,266	(80,266)	-	-	88,350	(88,350)	-	-
Total revenue and support	<u>9,403,110</u>	<u>3,780</u>	<u>59,833</u>	<u>9,466,723</u>	<u>9,156,887</u>	<u>20,240</u>	<u>90,862</u>	<u>9,267,989</u>
Expenses:								
Educational and general:								
Instruction	2,591,518	-	-	2,591,518	2,800,415	-	-	2,800,415
Public service	5,908	-	-	5,908	10,975	-	-	10,975
Student services	1,306,988	-	-	1,306,988	1,284,526	-	-	1,284,526
Academic support	720,824	-	-	720,824	695,187	-	-	695,187
Institutional support	1,979,843	-	-	1,979,843	2,119,500	-	-	2,119,500
Total educational and general	<u>6,605,081</u>	<u>-0-</u>	<u>-0-</u>	<u>6,605,081</u>	<u>6,910,603</u>	<u>-0-</u>	<u>-0-</u>	<u>6,910,603</u>
Auxiliary enterprises	<u>2,161,145</u>	<u>-</u>	<u>-</u>	<u>2,161,145</u>	<u>2,397,764</u>	<u>-</u>	<u>-</u>	<u>2,397,764</u>
Total operating expenses	<u>8,766,226</u>	<u>-0-</u>	<u>-0-</u>	<u>8,766,226</u>	<u>9,308,367</u>	<u>-0-</u>	<u>-0-</u>	<u>9,308,367</u>
Changes in net assets from operations	636,884	3,780	59,833	700,497	(151,480)	20,240	90,862	(40,378)
Net assets at beginning of year	<u>2,875,172</u>	<u>253,805</u>	<u>545,105</u>	<u>3,674,082</u>	<u>3,026,652</u>	<u>233,565</u>	<u>454,243</u>	<u>3,714,460</u>
Net assets at end of year	<u>\$ 3,512,056</u>	<u>\$ 257,585</u>	<u>\$ 604,938</u>	<u>\$ 4,374,579</u>	<u>\$ 2,875,172</u>	<u>\$ 253,805</u>	<u>\$ 545,105</u>	<u>\$ 3,674,082</u>

See accompanying notes to financial statements.

**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 700,497	\$ (40,378)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	497,404	524,963
Amortization of deferred debt expense	10,341	10,341
Actuarial change in annuities	1,762	6,426
Annuities released	(56,847)	-
Gain on sale of property, plant, and equipment	-	(108,322)
Unrealized gain on investments	(158,336)	(105,948)
Private gifts and donations restricted for long-term investments	(14,880)	(26,671)
(Increase) decrease in assets:		
Accounts receivable	30,269	10,058
Prepays and other assets	311,572	(819,859)
Increase (decrease) in liabilities:		
Accounts payable	9,186	10,992
Accrued expenses	14,047	(12,262)
Agency funds	(794)	(1,173)
Deferred income	(436,035)	50,197
Net cash provided by (used in) operating activities	908,186	(501,636)
Cash flows from investing activities:		
Proceeds on sale of property, plant, and equipment	-	206,008
Purchases of property, plant, and equipment	(72,094)	(50,517)
Proceeds on sale of investments	15,960	32,240
Purchases of investments	(330,394)	(95,517)
Net cash provided by (used in) investing activities	(386,528)	92,214
Cash flows from financing activities:		
Proceeds from private gifts restricted for long-term investment	14,880	26,671
Proceeds from borrowings on unsecured notes payable to finance company	-	453,233
Proceeds from borrowings on secured notes payable	101,831	564,556
Payments on annuities payable	(6,905)	(8,480)
Payments on secured notes payable	(394,278)	(327,882)
Payments on unsecured notes payable to finance company	(236,323)	(452,558)
Net cash provided by (used in) financing activities	(520,795)	255,540
Net increase (decrease) in cash and cash equivalents	863	(153,882)
Cash and cash equivalents at beginning of year	1,903,369	2,057,251
Cash and cash equivalents at end of year	\$ 1,904,232	\$ 1,903,369

See accompanying notes to financial statements.

**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.**  
**STATEMENTS OF CASH FLOWS, CONTINUED**  
**For the Years Ended June 30, 2014 and 2013**

Supplementary cash flow information:

	<b>2013</b>	<b>2012</b>
Interest paid	\$ <u>400,123</u>	\$ <u>416,599</u>

Schedule of nonmonetary investing and financing activities:

For the year ended June 30, 2013:

The College financed \$453,233 of insurance premiums relating to general liability and workers' compensation.  
The liability is recorded as a note payable.



**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Reporting Entity**

Clearwater Christian College Private School, Inc. (“the College”) is a four-year, regionally accredited, liberal arts college dedicated to providing sound academic instruction while propagating the historic Christian faith.

**b) Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

To ensure the observance of limitations and restrictions placed on the use of resources available, the College maintains its records in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives as specified by donors, in accordance with regulations, restrictions, or limitations imposed by sources outside the institution, or in accordance with directions issued by the board of directors.

The accompanying financial statements, however, have been prepared to focus on the organization as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with recommendations of the Financial Accounting Standards Board (FASB) in the *Accounting Standards Codification* (ASC). This guidance requires that unconditional promises to give be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. It establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

**Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations.

**Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the College and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on any related investments for general or specific purposes.

**c) Contributions and Revenue**

Contributions are recognized when received or when the donor makes an unconditional promise to give to the College and are recorded as unrestricted, temporarily restricted, or permanently restricted contributions, depending on the existence and/or nature of any donor restrictions. Contributions which are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, (that is, when a stipulated time restriction ends or purpose is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Non-cash contributions are recorded as support at their estimated fair value at the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service as instructed by the donor. The College reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Tuition and fees are reported net of exchange transactions, such as scholarship allowances, reducing both student financial aid expenses and tuition revenue.

Revenues relating to the succeeding school year which are received prior to June 30 are recorded as deferred income.

**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**d) Cash and Cash Equivalents**

For financial statement purposes, all cash and investments with original maturities of three months or less are considered cash and cash equivalents.

**e) Investments**

Investments, which are stated at fair market value, consist primarily of shares of mutual funds and common stocks. Marketable securities with readily determinable fair values are recorded on the statement of financial position at their fair value. Net realized and unrealized gains and losses on investments are reflected in the statement of activities.

**f) Split Interest Agreements**

Assets recorded under split interest agreements are recorded at market values, which approximate the present value of expected cash flows. Annuity gifts and liabilities are calculated and recorded using published discount rates and actuarial assumptions. Liabilities to donors are adjusted for changes in the value of assets and estimates of future benefits, with those adjustments recorded as changes in value of split interest agreements and included in institutional support in the statement of activities.

**g) Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation is provided over the estimated useful lives of the respective assets on a straight line basis. Estimated useful lives range from 5 to 40 years. Maintenance, repairs, and other expenses not resulting in betterment are charged to expense as incurred. Net gains or losses on sales of property and equipment are reflected in current operations.

**h) Promises to Give**

Unconditional promises to give that are expected to be collected in future years are recorded as other revenue and support at the present value of their estimated future cash flows. The discounted value of the unconditional promises to give is computed using interest rates applicable to the year in which the promises are received. Amortization of the discount is included in other revenue. Conditional promises to give are not included as support until the conditions are substantially met. Intentions to give are not recorded as assets or contribution revenue.

**i) Income Taxes**

The College is exempt from Federal and state income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. The College has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* topic of FASB ASC. This guidance addresses the accounting uncertainty in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It also provides related guidance on measurement classification, interest and penalties, and disclosure. The College has determined that it has no uncertain tax positions requiring accrual and disclosure.

**j) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include determining depreciable lives of assets and methods of depreciation, calculating an allowance for doubtful accounts, cost allocation to various departments, and disclosing investment cost as it approximates fair value.

**k) Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**l) Statements of Financial Position Presentation**

Assets and liabilities presented in the statements of financial position are recorded in order of liquidity or nearness to conversion to cash.

**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**2) CASH AND CASH EQUIVALENTS**

The College maintains cash balances at two financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2014, cash and cash equivalents placed with these institutions exceeded the federal depository insurance by \$1,644,417. Management believes the credit risk associated with these deposits is minimal due to the strong credit rating of the institutions and the nature of the deposits.

Cash balances of \$32,506 and \$101,661 at June 30, 2014 and 2013, respectively, are temporarily restricted. Cash balances of \$84,172 at June 30, 2014, are permanently restricted. Cash balances of \$652,789 and \$651,478 at June 30, 2014 and 2013, respectively, are board designated under the terms of a loan agreement for the periodic payment of debt service on such loan. Cash balances of \$8,180 and \$8,974 at June 30, 2014 and 2013, respectively, are held for others as agency funds.

**3) INVESTMENTS**

The cost and fair market value of investments at June 30, 2014 and 2013 are as follows:

	<b>2014</b>			<b>2013</b>		
	<b>Amortized Cost</b>	<b>Unrealized Gain</b>	<b>Fair Value</b>	<b>Amortized Cost</b>	<b>Unrealized Gain</b>	<b>Fair Value</b>
Mutual stock and bond funds	\$ 845,758	\$ 278,869	\$ 1,124,627	\$ 655,828	\$ 114,375	\$ 770,203
Equities	99,988	18,357	118,345	-	-	-
	<b>\$ 945,746</b>	<b>\$ 297,226</b>	<b>\$ 1,242,972</b>	<b>\$ 655,828</b>	<b>\$ 114,375</b>	<b>\$ 770,203</b>
Investment earnings:						
Interest and dividend income			\$ 25,798		\$ 25,565	
Realized and unrealized gains on investments			157,508		105,948	
Total			<b>\$ 183,306</b>		<b>\$ 131,513</b>	

Mutual funds with a fair value of \$520,766 and \$530,727 at June 30, 2014 and 2013 are permanently restricted.

**4) ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2014 and 2013 are as follows:

	<b>2014</b>	<b>2013</b>
Tuition and fees	\$ 132,537	\$ 112,806
Allowance for doubtful accounts	(84,000)	(34,000)
	<b>\$ 48,537</b>	<b>\$ 78,806</b>

The accounts receivable balance is adjusted monthly to reflect the amount due on tuition, registration and other fees. Accounts receivable are reported net of any anticipated losses due to uncollectible accounts. The allowance for doubtful accounts is adjusted periodically so as to estimate uncollectible balances, based upon management's evaluation of the account receivable portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, and economic conditions.

**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**5) PREPAIDS AND OTHER ASSETS**

Prepays and other assets at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Deferred debt expense, net of accumulated amortization	\$ 180,100	\$ 190,440
Deferred expenses relating to future capital projects	2,406,763	2,217,418
Software acquisition costs, net of accumulated amortization	202,621	270,162
Promises to give, net of discount	-	172,630
Other assets	1,204,525	1,532,813
	<u>\$ 3,994,009</u>	<u>\$ 4,383,463</u>

The College defers expenses pertaining to borrowings under loan agreements and amortizes these expenses over the term of the related loan. During a previous year, the College borrowed under a loan agreement and utilized a portion of the proceeds to refund an existing bond issue. The College deferred \$206,813 of expenses related to this financing. The College amortized \$10,341 and \$10,341 of such expenses for the years ended June 30, 2014 and 2013, respectively.

The College defers certain expenses relating to capital projects to be completed in future periods and intends to capitalize such expenses when the projects are completed.

The College capitalizes the costs associated with software acquisitions as an intangible asset and amortizes the cost of such software over its expected useful life of seven years.

The College has received promises to give which are included as temporarily or permanently restricted, based upon donor stipulations, at the present value of the expected cash flows. The College has recorded no allowance for uncollectible promises to give. The College has received no conditional promises to give as of June 30, 2014 and 2013.

**6) PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment are summarized by major classifications as follows at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land and improvements	\$ 2,644,917	\$ 2,633,298
Buildings	9,457,298	9,449,675
Furniture, fixtures, and equipment	1,488,492	1,442,888
Library holdings	348,023	343,575
Vehicles	321,728	318,928
	<u>14,260,458</u>	<u>14,188,364</u>
Less accumulated depreciation	<u>(6,863,753)</u>	<u>(6,433,890)</u>
	<u>\$ 7,396,705</u>	<u>\$ 7,754,474</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$429,863 and \$457,422, respectively.

**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**7) OPERATING LEASES**

The College is obligated under non-cancelable operating leases for equipment. Rent expense for these leases amounted to \$48,864 and \$45,498 for the years ended June 30, 2014 and 2013, respectively. The annual minimum lease payments are as follows as of June 30:

2015	\$ 48,864
2016	<u>6,732</u>
	<u>\$ 55,596</u>

**8) NOTES AND MORTGAGES PAYABLE**

Notes and mortgages payable as of June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Note payable to Pinellas County Educational Facilities Authority, secured by restricted cash balances, furniture, fixtures, equipment, vehicles, land and improvements, buildings and specified revenues, due in monthly payments of principal and interest of \$55,798 through December 2031, with interest at 4.36%.	\$ 8,146,660	\$ 8,448,799
Note payable to Pinellas County Educational Facilities Authority, secured by restricted cash balances, furniture, fixtures, equipment, vehicles, land and improvements, buildings and specified revenues, due in monthly payments of principal and interest of \$10,922, beginning August 2013 through December 2031, with interest at 4.48%, interest only due at LIBOR + 3.50% through July 2013.	821,707	773,230
Note payable to bank, secured by restricted cash balances, furniture, fixtures, equipment, vehicles, land and improvements, buildings and specified revenues, due in monthly payments of principal of \$3,232 plus interest beginning January 2012 through December 2031, with interest at LIBOR + 3.50%.	678,737	717,522
Unsecured notes payable for insurance premiums, due in monthly payments of \$38,491, including principal and interest.	-	236,323
Total notes and mortgages payable	<u>\$ 9,647,104</u>	<u>\$ 10,175,874</u>

Aggregate maturities of long-term debt are summarized as follows for the years ended June 30:

2015	\$ 415,506
2016	431,388
2017	450,212
2018	468,773
2019	488,170
Thereafter	<u>7,393,055</u>
	<u>\$ 9,647,104</u>

Interest expense totaled \$400,123 and \$416,599 for the years ended June 30, 2014 and 2013, respectively. Interest expense on the construction-type loan of \$73,066 and \$28,432 for the years ended June 30, 2014 and 2013, respectively, is capitalized into the cost of the related project.

**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**8) NOTES AND MORTGAGES PAYABLE, CONTINUED**

In November 2011, the College borrowed \$8,874,000 from Pinellas County Educational Facilities Authority (“the Authority”) evidenced by a loan agreement. The College also entered into a construction-type loan with the Authority for \$1,626,000. At June 30, 2014 and 2013, the College had borrowed, and owed, \$821,707 and \$773,230, respectively, under this construction-type loan. These funds were or will be used to refund the \$8,000,000 Revenue Bonds, Series 2001, repay a note payable to a bank, repay notes payable to individuals, and finance engineering, research, permitting, and construction activities on land and submerged land owned by the College and the State of Florida. The Authority issued \$10,500,000 Revenue Bonds, Series 2011 in connection with this loan agreement. These tax-exempt bonds pay interest monthly at 4.36% , and are subject to mandatory redemption. The repayment provisions of the loan agreement are identical to the bond requirements.

Covenants contained in the loan agreement limit the College’s ability to incur additional debt or grant security interests in its assets; require periodic financial reporting; and require the College to maintain minimum levels of coverage of fixed charges, as defined, and to maintain a balance sheet leverage ratio no more than specified limits. Other customary covenants, representations, conditions, and default provisions for such a loan agreement are present. For the year ended June 30, 2014, the College is in compliance with the covenants.

**9) DEFINED CONTRIBUTION RETIREMENT PLAN**

The College sponsors a defined contribution retirement savings plan in compliance with Section 403(b) of the Internal Revenue Code. Employer contributions are determined as a specified percentage of each covered employee’s salary and totaled \$28,300 and \$33,518 for the years ended June 30, 2014 and 2013, respectively.

**10) RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Restricted by time:		
Scholarships	\$ 173,445	\$ 175,935
Capital improvements	30,987	30,302
Annuity payments	24,376	24,376
Student services	14,557	14,557
Other	14,220	8,635
	<u>\$ 257,585</u>	<u>\$ 253,805</u>

Permanently restricted net assets at June 30, 2014 and 2013, consist of trust agreements.

**11) NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions during the years ended June 30, 2014 and 2013, by incurring expenses satisfying the restricted purposes, as follows:

	<u>2014</u>	<u>2013</u>
Student services	\$ 14,983	\$ 26,058
Student aid	47,523	47,605
Capital improvements	17,760	14,687
	<u>\$ 80,266</u>	<u>\$ 88,350</u>

**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**12) TUITION AND FEES**

Tuition and fees are reported net of scholarship allowances, reducing both tuition and fee revenue and scholarships and fellowships expense by \$2,430,816 and \$2,314,593 for the years ended June 30, 2014 and 2013, respectively

**13) POST-EMPLOYMENT BENEFIT OBLIGATION**

In a previous year, the College agreed to provide retirement and health insurance assistance to a former president of the College. This agreement stated that the College would pay an established annual retirement amount and an additional amount to provide for Medicare Supplement health insurance coverage for the former president and his wife. These payments would be made on a monthly basis and would continue until the death of both the former president and his wife. These payments commenced upon the signing of the agreement and have continued through the current year. A liability for the post-employment benefit obligation has been recognized and included in accrued expenses with a balance of \$275,719 and \$282,036 at June 30, 2014 and 2013, respectively.

**14) FAIR VALUE OF FINANCIAL INSTRUMENTS**

The College has adopted the provisions of the *Fair Value Measurements and Disclosures* topic of FASB ASC. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. Level 1 inputs represent fair values obtained using quoted prices in active markets. Level 2 inputs represent fair values obtained from observable market data but not from quoted market prices. Level 3 inputs represent unobservable inputs that are supported by little or no market activity and are generally based on the entity's own assumptions.

The following methods and assumptions are used to estimate the fair value of each financial instrument:

Cash and cash equivalents, accounts payable, other accrued liabilities, and unearned tuition and fees – the carrying values approximate fair value due to their short maturities.

Accounts receivable - the carrying values approximate fair value due to their short maturities.

Investments – the fair values are based on quoted market prices (Level 1 inputs) of the underlying investment securities. Investments are carried at fair value in the accompanying statement of financial position.

Annuities receivable and payable – the fair values are determined by discounting the future cash flows of each instrument at rates currently offered to or by the College for similar instruments of comparable maturities. The carrying amount of annuities receivable and payable approximates fair value.

Notes payable – the fair values are determined by discounting the future cash flows of each debt instrument at rates currently offered to the College for similar debt instruments of comparable maturities. The carrying amount of notes payable approximates fair value.

**15) FUNDRAISING EXPENSES**

The College incurred fundraising expenses of \$175,714 and \$235,260 for the years ended June 30, 2014 and 2013, respectively, with such expenses included in institutional support on the statement of activities.

**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**16) ENDOWMENT FUNDS**

The College's endowment consists of donor-restricted funds. The state of Florida has adopted legislation that incorporates the provisions outlined in the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The *Endowments of Not-for-Profit Organizations* topic of FASB ASC provides guidance for organizations with endowment funds subject to the UPMIFA. The College has adopted the provisions of this guidance.

The College's management has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted funds absent explicit donor stipulation to the contrary. The College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are expended in a manner consistent with the prudence prescribed by UPMIFA. Also included as endowment funds may be certain temporarily restricted net assets that have not been expended for their restricted purpose but are being invested and the earnings expended for the restricted purpose. In accordance with UPMIFA, the College considers the following factors in making a determination to expend or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. To meet its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). Under this policy, actual earnings, as well as a prudent portion of realized and unrealized gains may be distributed for operational needs or in accordance with donor restrictions. The College expects its endowment funds, over time, to provide an average rate of return at least equal to its spending policy requirements plus the rate of inflation. Actual returns in any given year may vary from this amount.

Changes in endowment assets for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Endowment net assets, beginning of year	\$ 545,105	\$ 436,194
Investment earnings	2,116	5,688
Realized and unrealized gains on investments	50,689	96,372
Contributions	59,833	90,862
Distributed earnings	(52,805)	(84,011)
Endowment net assets, end of year	<u>\$ 604,938</u>	<u>\$ 545,105</u>

**17) SUBSEQUENT EVENTS**

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through August 13, 2014, the date the financial statements were available to be issued.



**CLEARWATER CHRISTIAN COLLEGE  
PRIVATE SCHOOL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECTS  
For the Year Ended June 30, 2014**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted

Yes  No

***Federal Awards Program and State Financial Assistance Projects***

Internal control over major federal programs and state projects:

- Material weakness(es) identified?  Yes  No
- Deficiency(ies) identified?  Yes  None reported

Type of auditors report issued on compliance for major federal programs and state projects: Unqualified

Any audit findings disclosed relative to major federal programs that required to be reported in accordance with section 510(a) of Circular A-133?

Yes  No

Any audit findings disclosed relative to state projects

Yes  No

Identification of major federal programs:

**CFDA Numbers**

84.063  
84.007  
84.033  
84.268

**Name of Federal Program or Cluster**

Student Financial Aid Cluster

Identification of major state programs:

**CFSA Numbers**

48.064  
48.059  
48.059

**Name of State Project**

Florida Resident Assistance Grant  
Florida Bright Futures - Academic  
Florida Bright Futures - Medallion

Dollar threshold used to distinguish between type A and type B programs:  
Auditee qualified as low-risk auditee?

Federal : \$300,000      Florida: \$300,000  
 Yes       No

**CLEARWATER CHRISTIAN COLLEGE  
PRIVATE SCHOOL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
For the Year Ended June 30, 2014**

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**Section II - Financial Statement Findings**

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There are no findings to report.

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**Section III - Federal and State Financial Assistance Projects Findings and Questioned Costs**

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**Federal Student Financial Aid** – No findings.

**Florida Department of Education Programs** – No findings.

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**Section IV – Management Letter**

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No management letter was issued since there were no findings.

**CLEARWATER CHRISTIAN COLLEGE  
PRIVATE SCHOOL, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –  
FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECTS  
For the Year Ended June 30, 2014**

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**Section I – Prior Year Audit Findings and Questioned Costs - Financial Statement Findings, Federal Award Findings, and State Financial Assistance Projects Findings**

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**Financial Statement Findings** – No findings.

**Federal Award Findings** – No findings.

**Florida Department of Education Programs** – No findings.

**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2014**

<u>Federal Grantor/State Agency</u> <u>Program/Project Title</u>	<u>CFDA/CSFA</u> <u>Number</u>	<u>Total</u> <u>Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>		
Direct programs:		
Federal Pell Grant Program	** 84.063	\$ 983,893
Federal Supplemental Education Opportunity Grant	** 84.007	20,226
Federal Work Study	** 84.033	20,929
Federal Direct Loan Program	** 84.268	<u>1,998,241</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>3,023,289</u>
<u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u>		
Direct programs:		
Post-9/11 Veterans Educational Assistance	64.028	<u>219,352</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>		
Passed through University of South Florida-Tampa ROTC	12.000	<u>70,337</u>
TOTAL FEDERAL ASSISTANCE EXPENDED		<u>\$ 3,312,978</u>
<u>FLORIDA DEPARTMENT OF EDUCATION</u>		
Direct programs:		
Florida Resident Assistance Grant	** 48.064	\$ 571,250
Florida Private Student Assistance Grant	48.054	160,743
Florida Bright Futures - Academic	** 48.059	52,015
Florida Bright Futures - Medallion	** 48.059	196,531
Florida Work Experience Program	48.053	16,828
Florida Fund for Minority Teachers	48.049	<u>4,000</u>
TOTAL FLORIDA DEPARTMENT OF EDUCATION		<u>1,001,367</u>
<u>FLORIDA DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES</u>		
Direct programs:		
Clearwater Christian College License Plate Program	76.042	<u>1,524</u>
TOTAL FLORIDA ASSISTANCE EXPENDED		<u>\$ 1,002,891</u>

\*\* Denotes major programs

**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2014**

1) **GENERAL**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance presents the activity of all federal and state financial assistance programs of Clearwater Christian College Private School, Inc., for the year ended June 30, 2014. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through financial institutions, is included on the schedule. All state financial assistance is also included on the Schedule.

2) **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the accrual basis of accounting, which is described in Note 1 to the College's financial statements.

3) **RELATIONSHIP TO THE FINANCIAL STATEMENTS**

The College's financial statements recognize federal and state funds as agency transactions and, therefore, do not reflect any amounts relating to federal and state revenues and expenditures in the financial statements.

4) **RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for timing difference relating to revenues and expenditures received or made subsequent to the filing of federal financial reports.

**CLEARWATER CHRISTIAN COLLEGE PRIVATE SCHOOL, INC.  
SUMMARY OF POPULATION, ITEMS TESTED, AND FINDINGS FOR  
MAJOR FLORIDA STUDENT FINANCIAL ASSISTANCE PROGRAMS  
For the Year Ended June 30, 2014**

<b>Description of <u>Category</u></b>	<b>Number of <u>Students</u></b>	<b>Percent of <u>Population</u></b>	<b>Amount of <u>Awards</u></b>	<b>Percent of <u>Population</u></b>
<b><u>FLORIDA RESIDENT ASSISTANCE GRANT</u></b>				
Population	257	100.0%	\$ 571,250	100.0%
Tested	50	19.5%	113,750	19.9%
Findings	0	0.0%	0	0.0%
<b><u>FLORIDA BRIGHT FUTURES - ACADEMIC</u></b>				
Population	19	100.0%	52,015	100.0%
Tested	10	52.6%	29,252	56.2%
Findings	0	0.0%	0	0.0%
<b><u>FLORIDA BRIGHT FUTURES - MEDALLION</u></b>				
Population	91	100.0%	196,531	100.0%
Tested	18	19.8%	35,651	18.1%
Findings	0	0.0%	0	0.0%



# MARTIN · SMITH

& COMPANY CPAs

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Clearwater Christian College Private School, Inc.  
Clearwater, Florida

We have audited the financial statements of Clearwater Christian College Private School, Inc. (the "College") as of and for the year ended June 30, 2014, and have issued our report thereon dated August 29, 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.

### **Compliance**

As part of obtaining reasonable assurance about whether the College'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 that are required to be reported under Government Auditing Standards.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Clearwater Christian College Private School, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

A deficiency in 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 combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the 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 the 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Martin Smith & Company CPAs PA*

August 29, 2014



# MARTIN · SMITH

& COMPANY CPAs

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON ITS MAJOR FEDERAL PROGRAM AND ON ITS  
MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133 AND CHAPTER 10.650 RULES OF THE AUDITOR GENERAL

Board of Trustees  
Clearwater Christian College Private School, Inc.  
Clearwater, Florida

### **Report on Compliance for Each Major Program**

We have audited the compliance of Clearwater Christian College Private School, Inc. with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on its major federal awards program and its major state project for the year ended June 30, 2014. The College's major federal awards program and major state financial assistance project are identified in the Summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal awards program and major state financial assistance project is the responsibility of the College's management.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the College's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations;" and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal awards program or major state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

### **Opinion**

In our opinion, the College complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal awards program and its major state financial assistance project for the year ended June 30, 2014.



### **Internal Control Over Compliance**

The management of Clearwater Christian College Private School, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal awards programs and state financial assistance projects. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal awards program or major state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

A deficiency in control in an entity's internal control over compliance 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, noncompliance with a type of compliance requirement of a federal awards program or state financial assistance project on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no matters involving the internal control over compliance that we consider a significant deficiency. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, by the District's internal controls on a timely basis. We noted no matters involving the internal control over compliance that we consider a material weakness.

Our consideration of the internal control over compliance was for the limited purpose described above and would not necessarily disclose all deficiencies in the Organization's internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

We did note a matter involving compliance that we are required to report in accordance with section 510(a) of Circular A-133, as described in the Schedule of Findings and Questioned Costs.

### **Purpose of this Report**

This report is intended solely for the information and use of the Board of Trustees, management and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Martin Smith & Company CPAs PA*

August 29, 2014



MARTIN·SMITH  
—  
& COMPANY CPAs

Board of Trustees  
Clearwater Christian College  
Private School, Inc.  
Clearwater, Florida

We have audited the financial statements of as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated August 29, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated August 29, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, there were no matters that were required to be disclosed.

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

*Martin Smith & Company CPAs PA*

August 29, 2014