

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

**Financial Statements
with Independent Auditors' Reports Thereon**

June 30, 2016



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CERTIFIED PUBLIC ACCOUNTANTS

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ASPIRE CHARTER ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Aspire Charter Academy, Inc. (the "School") offers the following narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2016. Readers are encouraged to use this information in conjunction with information furnished in the School's financial statements. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements and other supplemental information.

FINANCIAL HIGHLIGHTS

- ❖ The School ended fiscal year 2016 with net position of \$346,252.
- ❖ For the fiscal year ended June 30, 2016, the School's expenses exceeded revenues by approximately \$96,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to School's basic financial statements. The School's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the understanding of the financial condition of School. This document also includes the Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance With *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and the current year changes. Net position is the difference between the School's total assets and total liabilities. Measuring net position is one way to evaluate the School's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include the School's basic services. The business-type activities are those services that the School charges for that are not directly related to the School's mission. For the year ended June 30, 2016, the School had no business-type activities or component units.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. All of the operations of the School are presented in governmental funds only.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The School's basic services are accounted for in governmental funds. These funds focus on how assets that can readily be converted into cash flow in and out, and what monies are left at year-end will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements provide a detailed short-term view of the financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts an annual budget for its general fund as required by the Florida Statutes. The budgets are legally adopted by management of the School and its Board. Budgetary comparison schedules have been included as part of the required supplementary information. The budgetary comparison schedules show four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges and ending balances in the general fund and special revenue fund, and 4) the variance between the final budget and the actual resources and charges.

Notes to Financial Statements

The notes to financial statements provide additional information essential to the full understanding of the information reported in the government-wide and fund financial statements. The notes to the financial statements start on page 15 of this report.

Other Reports

This report also includes the Report of Independent Auditors on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL

The School's combined net position as of June 30, 2016 and 2015 are summarized as follows:

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2016</u>	<u>2015</u>	<u>(Decrease)</u>
Current and other assets	\$ 325,462	\$ 417,999	\$ (92,537)
Capital assets, net	<u>79,771</u>	<u>70,976</u>	<u>8,795</u>
Total assets	<u>405,233</u>	<u>488,975</u>	<u>(83,742)</u>
Current and other liabilities	<u>58,981</u>	<u>46,462</u>	<u>12,519</u>
Total liabilities	<u>58,981</u>	<u>46,462</u>	<u>12,519</u>
Net position:			
Invested in capital assets, net of related debt	79,771	70,976	8,795
Unrestricted	<u>266,481</u>	<u>371,537</u>	<u>(105,056)</u>
Total net position	\$ <u><u>346,252</u></u>	\$ <u><u>442,513</u></u>	\$ <u><u>(96,261)</u></u>

The change in current and other assets is due to a decrease in cash and cash equivalents resulting from the current year operating deficit and the purchase of fixed assets. Capital assets increased as a result of capital additions exceeding depreciation expense. Current and other liabilities increased due to the timing of payments. The net decrease in total net position is due to the current year operating deficit.

Change in Net Position

The School's total expenses exceeded total revenue by approximately \$96,000 in fiscal 2016—see table below:

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2016</u>	<u>2015</u>	<u>(Decrease)</u>
Revenues:			
Federal sources	\$ 78,176	\$ 93,161	\$ (14,985)
State and local sources	1,219,139	1,185,075	34,064
Contributions and other revenues	29,337	22,163	7,174
Total revenues	<u>1,326,652</u>	<u>1,300,399</u>	<u>26,253</u>
Expenses:			
Instruction	795,284	679,996	115,288
Pupil personnel services	69,644	96,497	(26,853)
Instructional staff training	2,959	3,284	(325)
Board	18,154	12,612	5,542
General administration	59,009	59,125	(116)
School administration	237,609	212,259	25,350
Food services	9,496	8,279	1,217
Fiscal services	21,855	24,167	(2,312)
Central services	21,016	14,958	6,058
Pupil transportation	88,057	71,295	16,762
Operation of plant	99,602	88,022	11,580
Community services	228	258	(30)
Total expenses	<u>1,422,913</u>	<u>1,270,752</u>	<u>152,161</u>
Change in net position	\$ <u>(96,261)</u>	\$ <u>29,647</u>	\$ <u>(125,908)</u>

The decrease in federal sources is due to the reduction in federal grant allocated to the School. The change in state and local sources is due to an increase in student population.

The change in instruction is due to an increase in salaries and related benefits, annual merit increases, and additional personnel hired to help with tutoring for the FSA. The decrease in pupil personnel services is due to a reduction and reallocation of personnel to instructional and administrative duties. Board expenditures increased in the current year due to legal expenses incurred relating to the FTE audit and charter renewal. Operation of plant expenditures increased due to the one-time moving expenses and related inspection and zoning costs. All remaining expenses remained consistent with prior year.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The focus of School's governmental funds is to provide information on near term inflows, outflows, and balances of usable resources. This information is useful in assessing the School's financing requirements. Specifically, unassigned fund balance is a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the School completed the year, its governmental funds reported combined fund balances of \$266,481.

General and Special Revenue Funds Budgetary Highlights

During the fiscal year, the School amended its budget once. Generally, budget amendments fall into one of the three categories: 1) amendments made to adjust the estimates used to prepare the original budget once exact information is available; 2) amendments made to recognize changes in funding amounts; 3) changes in appropriations necessary to maintain services.

In the general fund, actual revenue exceeded budgeted amounts by approximately \$9,000. Actual expenditures were less than budgeted amounts by approximately \$51,000, primarily due to a decrease in instructional expenses which were not included on the final operating budget.

CAPITAL ASSETS

Capital Assets

As of the end of fiscal 2016, the School invested approximately \$80,000 in capital assets, net of accumulated depreciation of approximately \$90,000.

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Furniture, fixtures, and equipment	\$ 169,949	\$ 131,568	\$ 38,381
Less – accumulated depreciation	<u>(90,178)</u>	<u>(60,592)</u>	<u>(29,586)</u>
Total capital assets	<u>\$ 79,771</u>	<u>\$ 70,976</u>	<u>\$ 8,795</u>

More detailed information about the School's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budget Highlights for the Fiscal Year Ended June 30, 2017

Amounts available for appropriation in the general fund are approximately \$1,181,000. The change is due to budgeted decrease in student population.

Budgeted expenditures are expected to decrease to approximately \$1,179,000 due to a reduction expenses relating to the decrease in student population. If these estimates are realized, the School's general fund balance is expected to remain consistent at the end of fiscal 2017.

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. Should additional information be required, please contact the School's administrative office at 928 Malone Drive, Orlando, Florida 32810.



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Report of Independent Auditors on Basic Financial Statements and Supplementary Information

To the Board of Directors of Aspire Charter Academy, Inc.
A Charter School and Component Unit of the District
School Board of Orange County, Florida

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Aspire Charter Academy, Inc., a Charter School and Component Unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the School, as of June 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2016 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

MCCRADY HESS

Orlando, Florida
September 7, 2016

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Members of American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 313,612
Due from other agencies	2,336
Prepaid expenses	9,514
Capital assets:	
Furniture, fixtures, and equipment	169,949
Less accumulated depreciation	<u>(90,178)</u>
Total capital assets, net	<u>79,771</u>
Total assets	<u><u>\$ 405,233</u></u>
LIABILITIES	
Accounts payable and accrued expenses	<u>\$ 58,981</u>
Total liabilities	<u>58,981</u>
NET POSITION	
Invested in capital assets, net of related debt	79,771
Unrestricted	<u>266,481</u>
Total net position	<u>346,252</u>
Total liabilities and net position	<u><u>\$ 405,233</u></u>

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

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

Statement of Activities

For the Year Ended June 30, 2016

	Program Specific Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 795,284	\$ -	\$ 54,577	\$ -	\$ (740,707)	\$ (740,707)
Pupil personnel services	69,644	-	20,685	-	(48,959)	(48,959)
Instructional staff training	2,959	-	-	-	(2,959)	(2,959)
Board	18,154	-	-	-	(18,154)	(18,154)
General administration	59,009	-	-	-	(59,009)	(59,009)
School administration	237,609	-	2,914	-	(234,695)	(234,695)
Fiscal services	21,855	-	-	-	(21,855)	(21,855)
Food services	9,496	-	-	-	(9,496)	(9,496)
Central services	21,016	-	-	-	(21,016)	(21,016)
Pupil transportation	88,057	-	-	-	(88,057)	(88,057)
Operation of plant	99,602	-	-	-	(99,602)	(99,602)
Community services	228	-	-	-	(228)	(228)
Total primary government	\$ 1,422,913	\$ -	\$ 78,176	\$ -	(1,344,737)	(1,344,737)
General revenues:						
State and local sources					\$ 1,219,139	\$ 1,219,139
Contributions and other revenues					29,337	29,337
Total general revenues					1,248,476	1,248,476
Change in net position					(96,261)	(96,261)
Net position at beginning of year					442,513	442,513
Net position at end of year					\$ 346,252	\$ 346,252

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

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

Balance Sheet - Governmental Funds

June 30, 2016

	General Fund	Other Governmental Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 313,612	\$ -	\$ 313,612
Due from other agencies	-	2,336	2,336
Prepaid expenses	9,514	-	9,514
Due from other governmental fund	2,336	-	2,336
Total assets	<u>\$ 325,462</u>	<u>\$ 2,336</u>	<u>\$ 327,798</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 58,981	\$ -	\$ 58,981
Due to general fund	-	2,336	2,336
Total liabilities	<u>58,981</u>	<u>2,336</u>	<u>61,317</u>
FUND BALANCES			
Nonspendable:			
Prepaid expenses	9,514	-	9,514
Spendable:			
Unassigned	256,967	-	256,967
Total fund balances	<u>266,481</u>	<u>-</u>	<u>266,481</u>
Total liabilities and fund balances	<u>\$ 325,462</u>	<u>\$ 2,336</u>	<u>\$ 327,798</u>

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

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

**Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position**

June 30, 2016

Total fund balances - governmental funds \$ 266,481

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets are \$169,949 and the accumulated depreciation is \$90,178.

79,771

Total net position - governmental activities \$ 346,252

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

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

**Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds**

For the Year Ended June 30, 2016

	General Fund	Other Governmental Fund	Total Governmental Funds
REVENUES			
Federal sources passed through local school district	\$ -	\$ 78,176	\$ 78,176
State and local sources	1,219,139	-	1,219,139
Contributions and other revenues	29,337	-	29,337
Total revenues	1,248,476	78,176	1,326,652
EXPENDITURES			
Current:			
Instruction	715,726	54,577	770,303
Pupil personnel services	48,959	20,685	69,644
Instructional staff training	2,959	-	2,959
Board	18,154	-	18,154
General administration	59,009	-	59,009
School administration	234,084	2,914	236,998
Fiscal services	21,855	-	21,855
Food services	9,496	-	9,496
Central services	20,223	-	20,223
Pupil transportation	88,057	-	88,057
Operation of plant	96,401	-	96,401
Community services	228	-	228
Capital outlay	38,381	-	38,381
Total expenditures	1,353,532	78,176	1,431,708
Changes in fund balances	(105,056)	-	(105,056)
Fund balances at beginning of year	371,537	-	371,537
Fund balances at end of year	\$ 266,481	\$ -	\$ 266,481

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

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities**

For the Year Ended June 30, 2016

Net changes in fund balance - total governmental funds \$ (105,056)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$38,381) exceeds depreciation expense (\$29,586) in the current period.

8,795

Change in net position of governmental activities \$ (96,261)

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

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

Notes to Financial Statements

For the Year Ended June 30, 2016

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Aspire Charter Academy, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes and the Florida Not-for-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors (the "Board"), which is composed of seven members.

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 Orange County, Florida (the "School Board"). 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").

Charter Contract

The current charter expires on June 30, 2016 and may be renewed every five years, unless a longer term is required by law or by mutual written agreement between the School and the School Board. The School is in negotiating an extension of this charter until June 30, 2017. Upon the expiration of the charter, the School Board may elect not to renew the charter under grounds specified in the charter. However, the School Board may terminate the current charter at any time 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 revert back to the School Board.

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Audits for States and Local Governments* and provisions in the Florida Statutes, the School is considered a governmental organization for financial statement reporting purposes. The School is required by its agreement with the School Board to use the governmental reporting model and follow the fund and accounting structure provided in the "Financial and Program Cost Accounting and Reporting for Florida Schools – The Red Book" issued by the Florida Department of Education ("FDOE").

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School in a manner similar to a private-sector business. The statement of net position and statement of activities are designed to provide financial information about the School as a whole on an accrual basis of accounting. The statement of net position provides information about the School's financial position, its assets and its liabilities, using an economic resources measurement focus.

ASPIRE CHARTER ACADEMY, INC.

A Charter School and Component Unit of the District School Board of Orange County, Florida

Notes to Financial Statements (continued)

The statement of activities presents a comparison between direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those specifically associated with a program or function, therefore, are clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of goods and services offered by the program and grants and contributions that are restricted for meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Fund Financial Statements

The governmental fund financial statements report detailed information about the School's most significant funds, not the School as a whole. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance related requirements. Certain funds are established by law while others are created by grant agreements. The following are individual governmental funds reported in the fund financial statements:

- General Fund – the School's primary operating fund that accounts for all financial resources of the school, except those that are required to be accounted for in another fund.
- Special Revenue Fund – to account for the proceeds of specific revenue sources and federal grants restricted by law or administrative action of expenditures for specific purposes.

For the purpose of these statements, the general fund is considered a major fund. The special revenue service fund is a non-major fund and reported as an other governmental fund.

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 reported using the accrual basis of accounting. Revenues are recognized when earned and expenses/expenditures are recognized when a liability is incurred, regardless of the timing of the related cash flows.

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

**Notes to Financial Statements
(continued)**

Governmental fund financial statements are reported using the modified accrual basis of accounting. Under this method, revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisition of capital leases are reported as other financing sources.

Budgetary Basis Accounting

Budgets are prepared using the modified accrual basis of accounting and the Board must approve all budgets and amendments. During the fiscal year, expenditures were controlled at the object level. Budgets may be amended by resolution of the Board prior to the date of the annual report.

Cash and Cash Equivalents

The School's cash and cash equivalents consist primarily of demand deposits with financial institutions.

The School maintains its cash account with two financial institutions. The School's bank accounts at these institutions, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant risks.

Capital Assets and Depreciation

The School's capital assets with useful lives of more than one year are stated at historical cost and are reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value on the date donated. The School capitalizes assets with a cost of \$750 or more. Expenditures of normal maintenance and repair that do not add to the asset value or extend the useful life are not capitalized. Depreciation is computed using the straight-line method. Estimated useful lives of the assets are as follows:

	<u>Years</u>
Furniture, fixtures, and equipment	3 - 5

Information related to the change in capital assets is described in Note 4.

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

**Notes to Financial Statements
(continued)**

Net Position and Fund Balance Classifications

Government-wide financial statements

Net position is classified and reported in three components:

- Investment in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted – consists of amounts with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- Unrestricted – all other amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund financial statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

This statement also clarifies the definition of the special revenue fund to denote it may be used to account for the proceeds of specific revenue sources (other than trusts for individual, private organizations or other governmental agencies or for major capital projects) legally restricted to expenditures for specified purposes.

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

**Notes to Financial Statements
(continued)**

Interfund transfers

Activities between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. The general fund had recorded total receivables of approximately \$2,300 which are amounts paid by the general funds on behalf of the special revenue fund.

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for the non-general fund.

Revenue Sources

Revenues for operations are received primarily from the District School Board of Orange County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the School District. The School Board receives a 5% administrative fee from the School, which is withheld from the respective FEFP payments. The administrative expense is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances of governmental funds. The administrative fee is calculated on the FEFP revenue up to 250 students.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (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 period. The FDOE may also adjust subsequent fiscal period allocations based on an audit of the School's compliance in determining and reporting FTE and related data. Generally, such adjustments are treated as reductions or additions of revenues in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is calculated based on (1) unweighted FTE, multiplied by (2) the cost factor for each program multiplied by (3) the base student allocation established by the Florida legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
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**Notes to Financial Statements
(continued)**

designated in Section 1011.62(1)(e)2., Florida Statutes. For the year ended June 30, 2016, the School reported 118.14 unweighted FTE.

The School received additional funding under other federal and state grants as well as private donations. This assistance is generally received based on applications submitted to various granting agencies. For federal and state grants in which funding is awarded based on incurring eligible expenditures, revenue is recognized as the amount of eligible expenditures have been incurred.

Recently Issued Accounting Principles

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 72 provides guidance for accounting and financial reporting issues related to fair value measurements. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurement. The provisions of the Statement are effective for financial statements for periods beginning after June 15, 2016.

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

2 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States (GAAP) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

**Notes to Financial Statements
(continued)**

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable level 1 or 2 inputs are not available.

This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School's significant financial instruments are cash, accounts receivable, accounts payable, short term borrowings, and other short term assets and liabilities. For these financial instruments (level 1), carrying values approximate fair value because of the short maturity of these instruments.

3 DUE FROM OTHER AGENCIES

Due from other agencies included in the accompanying financial statements include approximately \$2,336 of Title II funds. Based on the source of the funds, management has evaluated the collectability and an allowance for doubtful accounts is not considered necessary.

4 CAPITAL ASSETS

Capital asset activity during the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets:				
Furniture, fixtures, and equipment	\$ 131,568	\$ 38,381	\$ -	\$ 169,949
Total capital assets	<u>131,568</u>	<u>38,381</u>	<u>-</u>	<u>169,949</u>
Accumulated depreciation:				
Furniture, fixtures, and equipment	(60,592)	(29,586)	-	(90,178)
Total accumulated depreciation	<u>(60,592)</u>	<u>(29,586)</u>	<u>-</u>	<u>(90,178)</u>
Capital assets, net	<u>\$ 70,976</u>	<u>\$ 8,795</u>	<u>\$ -</u>	<u>\$ 79,771</u>
Depreciation expense:				
Instruction			\$ 24,981	
School administration			611	
Central services			793	
Operational services			<u>3,201</u>	
Total governmental activities depreciation expense			<u>\$ 29,586</u>	

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

**Notes to Financial Statements
(continued)**

5 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

The following is a schedule of state and local revenue sources:

Florida Education Finance Program	\$	704,855
Class size reduction		202,707
ESE guaranteed allocation		104,832
Special millage		65,204
Discretionary millage		63,252
Pupil transportation		37,210
Supplemental academic instruction		25,108
Instructional materials		9,360
Safe schools		3,841
Teacher lead		2,475
Compression adjustment		2,177
Proration		(1,882)
Total	\$	<u>1,219,139</u>

The administrative fee paid to the School Board during the year ended June 30, 2016 totaled approximately \$59,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances of governmental funds.

6 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

7 COMMITMENTS AND CONTINGENT LIABILITIES

Lease commitment

On June 1, 2015, the School entered into a new lease agreement for the facilities. The term of the lease is 24 months commencing June 1, 2015 and expiring May 31, 2017. The rent expense per month is \$5,833 and the lease requires that the School pay and maintain insurance coverage for the building, structures, and their contents.

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

**Notes to Financial Statements
(continued)**

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at year end may be impaired.

Management of the School believes there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal Matters

During fiscal year June 30, 2016, the School underwent an FTE audit relating to the 2014-2015 fiscal year. There was a recommended penalty that the School does not agree with. As of year-end, the Auditor General has not issued its final report. If the Auditor General does not change its recommendation in the final report, the School intends to appeal the recommendation to the Florida Department of Education. Management believes the appeal will be successful. However, the financial consequences of the result cannot be determined or estimated.

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

8 INCOME TAXES

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income taxes. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, the school has adopted standards that examine any uncertain tax positions that they expect to take in a tax return relating to state income taxes and unrelated business taxable income. The school also assesses its ability to continue as tax exempt and a nonprofit organization for tax purposes. The School's income tax returns for 2014, 2013 and 2012, are subject to examination by tax authorities, and may change upon examination.

9 SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 7, 2016, which is the date the financial statements were available to be issued.

ASPIRE CHARTER ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Orange County, Florida**

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
State and local sources	\$ 1,264,624	\$ 1,216,958	\$ 1,219,139	\$ 2,181
Contributions and other revenues	22,200	22,200	29,337	7,137
Total revenues	1,286,824	1,239,158	1,248,476	9,318
EXPENDITURES				
Current:				
Instruction	706,528	776,684	715,726	(60,958)
Pupil personnel services	35,493	62,851	48,959	(13,892)
Instructional staff training	7,130	7,130	2,959	(4,171)
Board	13,370	13,970	18,154	4,184
General administration	61,660	60,070	59,009	(1,061)
School administration	222,607	223,007	234,084	11,077
Fiscal services	24,963	24,963	21,855	(3,108)
Food services	8,500	8,500	9,496	996
Central services	17,100	20,100	20,223	123
Pupil transportation	78,200	87,880	88,057	177
Operation of plant	93,700	118,583	96,401	(22,182)
Community services	500	500	228	(272)
Capital outlay	-	-	38,381	38,381
Total expenditures	1,269,751	1,404,238	1,353,532	(50,706)
Net change in fund balance	17,073	(165,080)	(105,056)	60,024
Fund balances at beginning of year	347,914	371,538	371,537	1
Fund balances at end of year	\$ 364,987	\$ 206,458	\$ 266,481	\$ 60,025

See report of independent auditors.



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CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of Aspire Charter Academy, Inc.
A Charter School and Component Unit of the District
School Board of Orange County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for Aspire Charter Academy, Inc., a Charter School and Component Unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 7, 2016.

Internal Control Over Financial Reporting

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

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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

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

McCRA DY HESS

Orlando, Florida
September 7, 2016

1000 Legion Place, Suite 701 | Orlando, FL 32801

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**Additional Information Required by
Rules of the Auditor General,
Chapter 10.850, *Audits of Charter Schools
and Similar Entities***



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CERTIFIED PUBLIC ACCOUNTANTS

**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of Aspire Charter Academy, Inc.,
a Charter School and Component Unit of the District
School Board of Orange County, Florida.

Report on the Financial Statements

We have audited the financial statements of Aspire Charter Academy, Inc. (the “School”) as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated September 7, 2016.

Auditor’s Responsibility

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 Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedules

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.

Prior Audit Findings

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

Official Title

Section 10.854(1)(e)5. Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Aspire Charter Academy, Inc.

Financial Condition

Sections 10.854(1)(e)2. Rules of the Auditor General, requires that we report the results of our determination 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(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. 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 same.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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 noncompliance with 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.

Purpose of this Letter

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, Federal and other granting agencies, the Board of Directors, applicable management, and Orange County School Board and is not intended to be and should not be used by anyone other than these specified parties.

McCRA DY HESS

Orlando, Florida
September 7, 2016

1000 Legion Place, Suite 701 | Orlando, FL 32801

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