

**FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.
D/B/A PALM POINTE EDUCATIONAL RESEARCH SCHOOL
AT TRADITION
(A COMPONENT UNIT OF FLORIDA ATLANTIC
UNIVERSITY)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORTS THEREON**

JUNE 30, 2013

**FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of FAU – Treasure Coast University Schools, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the year ended June 30, 2013. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School's total net position decreased compared to the prior year.
- For the year ended June 30, 2013, the School's expenses exceeded revenues by approximately \$500,000. This is an improvement from the prior year, when expenses exceeded revenues by approximately \$1,200,000.
- Overall, revenues increased by approximately \$400,000, which was a 4% increase from the prior year.
- Total expenses decreased by approximately \$370,000, which was a 3% decrease from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the following information required by the U.S. Office of Management and Budget ("OMB") Circular A-133: schedule of expenditures of federal awards, independent auditors' reports on compliance for each major program and on internal control over compliance required by OMB Circular A-133 and the schedule of findings and questioned costs. In addition, it 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*.

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

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

Government-wide Financial Statements

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

The two government-wide financial statements report the School's net position and how they have changed. Net position – the difference between the School's assets and liabilities – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position is an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall financial condition of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base.

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has one type of fund:

- *Governmental funds* – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the end of the year that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. This short-term view is useful when compared to the long-term view presented as governmental activities in the school-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities, if applicable. There are no such reconciling items, and as a result, there are no reconciliations of governmental funds to governmental activities in the accompanying financial statements.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position decreased from fiscal year 2012 to 2013 – see table below.

	<u>2012</u>	<u>2013</u>	<u>(Decrease)</u>
Current and other assets	<u>\$ 2,256,737</u>	<u>\$ 1,723,351</u>	<u>-24%</u>
Total assets	<u>2,256,737</u>	<u>1,723,351</u>	<u>-24%</u>
Current and other liabilities	<u>38,677</u>	<u>16,487</u>	<u>-57%</u>
Total liabilities	<u>38,677</u>	<u>16,487</u>	<u>-57%</u>
Net position:			
Unrestricted	<u>2,218,060</u>	<u>1,706,864</u>	<u>-23%</u>
Total net position	<u>\$ 2,218,060</u>	<u>\$ 1,706,864</u>	<u>-23%</u>

The decrease in net position of approximately \$500,000 is substantially attributable to the shortfall in the capital projects fund which is reflected in the accompanying statement of revenues, expenditures, and changes in fund balances – governmental funds.

Change in Net Position

The School's total revenues increased by approximately 4% to \$10,800,000, and the total cost of all programs and services decreased by approximately 3% to \$11,300,000 – see table below.

	Governmental Activities		Increase (Decrease)
	2012	2013	
Revenues:			
Federal sources passed through			
Sponsor	\$ 997,418	\$ 930,190	-7%
State and local sources	9,169,929	9,648,377	5%
Contributions and other revenue	263,340	259,897	-1%
Total revenues	<u>10,430,687</u>	<u>10,838,464</u>	<u>4%</u>
Expenses:			
Instruction	5,960,933	5,696,364	-4%
Instructional support services	425,754	389,831	-8%
Instructional media	137,373	135,214	-2%
Instruction and curriculum development	133,210	129,925	-2%
Instructional staff training	173,922	168,944	-3%
Instruction-related technology	11,195	7,749	-31%
Board	850	-	-100%
General administration	235,146	319,765	36%
School administration	678,347	671,751	-1%
Facilities acquisition and construction	1,639,668	1,631,878	0%
Fiscal services	56,898	43,340	-24%
Food services	397,788	341,751	-14%
Central services	107,260	91,932	-14%
Pupil transportation	736,187	736,187	0%
Operation of plant	613,582	576,915	-6%
Maintenance of plant	34,876	51,084	46%
Administrative technology services	113,284	112,275	-1%
Community services	263,072	244,755	-7%
Total expenses	<u>11,719,345</u>	<u>11,349,660</u>	<u>-3%</u>
Change in net position	<u>\$ (1,288,658)</u>	<u>\$ (511,196)</u>	<u>-60%</u>

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund balance of approximately \$1,700,000, which was below the prior year.

General and Special Revenue Fund Budgetary Highlights

For the year ended June 30, 2013, actual general fund revenues were approximately \$8,750,000, or less than 4%, below the budgeted amounts.

Actual general fund expenditures were approximately \$8,790,000, or approximately 8% below the budgeted amounts.

For the year ended June 30, 2013, actual special revenue fund revenues and expenditures were approximately \$930,000, which were equivalent to budgeted amounts.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The School's projected budget is a function of enrollment which is determined by a lottery process. The lottery selection and admission process are ongoing since students withdraw and enroll throughout the year. Because of the class size limitations, seats are not filled until the current students are promoted or retained, which may be dictated not only by faculty assessment but also by FCAT scores. The selection process is focused on retaining a student demographic profile in each research school that reflects racial, ethnic, and economic diversity of the state's students. Students are selected until all currently available seats are filled within the necessary demographics. Selections will be made as openings arise. Enrollment is fixed based on selection and therefore the budget for the school remains stable overtime. There is no current intent to increase enrollment at the school and there is no foreseen projected loss of enrollment due to economic conditions.

Amounts available for appropriation in the general fund total approximately \$9,200,000, an approximate 8% increase from the actual 2013 amount of approximately \$8,500,000.

Budgeted general fund expenditures are expected to increase to \$9,200,000, or less than 5%, from the fiscal 2013 actual figure of approximately \$8,800,000. The School has added no major new programs to the fiscal 2014 budget.

In fiscal year 2014, it is expected the School will receive approximately \$800,000 in Public Education Capital Outlay funds and approximately \$400,000 in Charter School Capital Outlay funds, totaling approximately \$1,200,000 for the capital projects fund. The amount of the sublease payment will be approximately \$1,500,000, resulting in a projected shortfall of approximately \$300,000. The School Board of St. Lucie County is expected to fund the shortfall.

If these estimates are realized, the School's general fund balance is expected to be approximately unchanged by the close of fiscal 2014.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 10608 SW Academic Way, Port St. Lucie, Florida 34987.



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**Report of Independent Auditors on Basic Financial Statements
and Supplementary Information**

To the Board of Directors of FAU – Treasure Coast University Schools, Inc., a Charter School and Component Unit of Florida Atlantic University.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of FAU – Treasure Coast University Schools, Inc. (the "School"), a charter school and component unit of Florida Atlantic University, as of and for the year ended June 30, 2013, 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 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 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.

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Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 6 and the budgetary comparison information on pages 22 – 23 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, Rules of the Auditor General, and is not a required part of the basic financial statements. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Gerstle, Rosen & Goldenberg, P.A.

GERSTLE, ROSEN & GOLDENBERG, P.A.
Boca Raton, Florida
December 6, 2013

FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,706,841
Investments	15,046
Accounts receivable	1,464
Total assets	<u>\$ 1,723,351</u>
LIABILITIES	
Accounts payable and accrued expenses	<u>\$ 16,487</u>
Total liabilities	<u>16,487</u>
NET POSITION	
Unrestricted	<u>1,706,864</u>
Total net position	<u>1,706,864</u>
Total liabilities and net position	<u>\$ 1,723,351</u>

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

FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
Instruction	\$ 5,696,364	\$ -	\$ 395,371	\$ -	\$ (5,300,993)
Instructional support services	389,831	-	3,260	-	(386,571)
Instructional media	135,214	-	-	-	(135,214)
Instruction and curriculum development	129,925	-	85,281	-	(44,644)
Instructional staff training	168,944	-	104,527	-	(64,417)
Instructional-related technology	7,749	-	-	-	(7,749)
General administration	319,765	-	-	-	(319,765)
School administration	671,751	-	-	-	(671,751)
Facilities acquisition and construction	1,631,878	-	-	-	(1,631,878)
Fiscal services	43,340	-	-	-	(43,340)
Food services	341,751	-	341,751	-	-
Central services	91,932	-	-	-	(91,932)
Pupil transportation	736,187	-	-	-	(736,187)
Operation of plant	576,915	-	-	-	(576,915)
Maintenance of plant	51,084	-	-	-	(51,084)
Administrative technology services	112,275	-	-	-	(112,275)
Community services	244,755	-	-	-	(244,755)
Total primary government	\$ 11,349,660	\$ -	\$ 930,190	\$ -	(10,419,470)
General revenues:					
State and local sources					9,648,377
Contributions and other revenue					259,897
Total general revenues					9,908,274
Change in net assets					(511,196)
Net position at beginning of year					2,218,060
Net position at end of year					\$ 1,706,864

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

FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,706,841	\$ -	\$ 1,706,841
Investments	15,046	-	15,046
Accounts receivable	<u>1,464</u>	<u>-</u>	<u>1,464</u>
Total assets	<u><u>\$ 1,723,351</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,723,351</u></u>
 LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenditures	<u>\$ 16,487</u>	<u>\$ -</u>	<u>\$ 16,487</u>
Total liabilities	<u>16,487</u>	<u>-</u>	<u>16,487</u>
Fund balances:			
Assigned to:			
School-based student activity organizations	51,662	-	51,662
Unassigned	<u>1,655,202</u>	<u>-</u>	<u>1,655,202</u>
Total fund balances	<u>1,706,864</u>	<u>-</u>	<u>1,706,864</u>
Total liabilities and fund balances	<u><u>\$ 1,723,351</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,723,351</u></u>

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

FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Federal sources	\$ -	\$ 930,190	\$ -	\$ 930,190
State and local sources	8,493,718	-	1,154,659	9,648,377
Contributions and other revenue	259,897	-	-	259,897
Total revenues	<u>8,753,615</u>	<u>930,190</u>	<u>1,154,659</u>	<u>10,838,464</u>
EXPENDITURES				
Current:				
Instruction	5,300,993	395,371	-	5,696,364
Instructional support services	386,571	3,260	-	389,831
Instructional media	135,214	-	-	135,214
Instruction and curriculum development	44,644	85,281	-	129,925
Instructional staff training	64,417	104,527	-	168,944
Instructional-related technology	7,749	-	-	7,749
General administration	319,765	-	-	319,765
School administration	671,751	-	-	671,751
Facilities acquisition and construction	-	-	1,631,878	1,631,878
Fiscal services	43,340	-	-	43,340
Food services	-	341,751	-	341,751
Central services	91,932	-	-	91,932
Pupil transportation	736,187	-	-	736,187
Operation of plant	576,915	-	-	576,915
Maintenance of plant	51,084	-	-	51,084
Administrative technology services	112,275	-	-	112,275
Community services	244,755	-	-	244,755
Total expenditures	<u>8,787,592</u>	<u>930,190</u>	<u>1,631,878</u>	<u>11,349,660</u>
Excess expenditures over revenues	(33,977)	-	(477,219)	(511,196)
OTHER FINANCING SOURCES (USES)				
Operating transfer in/(out)	<u>(477,219)</u>	-	477,219	-
Total other financing sources (uses)	<u>(477,219)</u>	-	477,219	-
Net changes in fund balance	(511,196)	-	-	(511,196)
Fund balances at beginning of year	2,218,060	-	-	2,218,060
Fund balances at end of year	<u>\$ 1,706,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,706,864</u>

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

**FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
FLORIDA ATLANTIC UNIVERSITY**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

FAU – Treasure Coast University Schools, Inc. (the “School”) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.34, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of nine board members.

The general operating authority of the School is contained in Section 1002.34, Florida Statutes. The School is considered a component unit of Florida Atlantic University and meets the definition of a governmental entity under the Governmental Accounting Standards Board (“GASB”) accounting guidance; therefore, for financial reporting purposes, it must follow generally accepted accounting principles applicable to state and local governmental units.

Charter Contract

The charter agreement between the sponsoring entity, the Florida Atlantic University Board of Trustees, a university board of the State of Florida University System, is entered into for the purposes of creating and maintaining a developmental research charter school (“DRCS”) pursuant to section 1002.33(5)(a)2, Florida Statutes. Pursuant to section 1011.24, Florida Statutes, the DRS is a special school district for the purposes therein set forth. The current charter is effective until June 30, 2021 and may be renewed by mutual written agreement between the School and the Sponsor. At the end of the term of the charter, the Sponsor may choose not to renew the charter under grounds specified in the charter. In this case, the Sponsor is required to notify the School in writing at least 360 days prior to the charter’s expiration. During the term of the charter, the Sponsor may also terminate the charter if good cause is shown. In the event of termination of the charter, any unencumbered funds, and all equipment and property purchased by the School with university public funds, shall revert to the ownership of Florida Atlantic University and all equipment and property purchased with School Board of St. Lucie County funds, shall revert to the ownership of the School Board of St. Lucie County.

Criteria for determining if other entities are potential component units of the School which should be reported with the School’s basic financial statements are identified and described in the GASB’s *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School’s basic financial statements to be misleading or incomplete. Based on these criteria, management has determined that no component units require inclusion within the reporting entity of the School.

**FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
FLORIDA ATLANTIC UNIVERSITY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Basis of presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

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

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

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

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund - to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund - to account for the proceeds of specific revenue sources and federal and state grants that are restricted by law or administrative action to expenditure for specific purposes.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

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

**FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
FLORIDA ATLANTIC UNIVERSITY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Basis of accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current year or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Budgetary basis accounting

Budgets are presented on the modified accrual basis of accounting.

Deposits and investments

Cash deposits are held by banks qualified as public depositories under Florida law. Investments are held in the Florida Prime Investment Trust Fund and in the Florida Education Investment Trust Fund.

Revenue sources

Revenues for current operations are received primarily from Florida Atlantic University pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education ("FDOE") by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to Florida Atlantic University.

Under the provisions of Section 1011.62, Florida Statutes, Florida Atlantic University reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the

FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
(continued)

School during the designated full-time equivalent student survey periods. Florida Atlantic University receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds. This administrative fee is calculated on the FEFP revenue up to 250 students. The difference between the actual fee and the fee as calculated on total FEFP revenue is restricted for capital outlay expenditures. As of June 30, 2013, the School had no restricted funds for this purpose. The administration fee paid to the Sponsor totaled approximately \$76,000 and the total amount paid to the Sponsor during the year ended June 30, 2013 was approximately \$320,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

The School also receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the School on an annual basis. The School is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE. As of June 30, 2013, all amounts received under this program had been expended.

The School is also eligible for Charter School Capital Outlay Funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, the unspent portion, if any, is reflected as restricted net assets and reserved fund balance in the accompanying statements. As of June 30, 2013, all amounts received under this program had been expended.

Income taxes

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

Fund balance spending policy

The School's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, then the unassigned fund. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then

**FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

follow the order above. Funds can only be committed by formal action of the Board of Directors. There are no minimum fund balance requirements for any of the School's funds.

Use of estimates

In preparing the financial statements, 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 affect revenues and expenses/expenditures for the year presented. Actual results could differ significantly from those estimates.

Subsequent events

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through December 6, 2013, which is the date the financial statements were available to be issued.

2 ACCOUNTS RECEIVABLE

The accompanying financial statements include \$1,464 in accounts receivable. Based on management's estimate of the collectibility of funds, the School believes that an allowance for doubtful accounts is not considered necessary.

3 CAMPUS FACILITY

The School's campus is located in Port St. Lucie, Florida. The School Board of St. Lucie County, Florida (the "School Board") is the owner of the facility site and holds title to the facilities. The School Board is lease purchasing the facilities from the St. Lucie School Board Leasing Corporation. The School Board is subleasing the facilities to the School during the term of the charter. (See Notes 5 and 7)

**4 AGREEMENTS BETWEEN THE SCHOOL AND THE SCHOOL BOARD OF ST. LUCIE
COUNTY**

**Agreement for Services of Supervisory, Instructional, and Support Personnel, and for
Equipment**

The School entered into a services and equipment agreement with the School Board of St. Lucie County (the "School Board") on November 14, 2006. The term of the agreement is through

**FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

June 30, 2040, unless renewed by the parties in accordance with the agreement. The agreement may be terminated by either party with or without cause upon 180 days written notice to the other party. The School Board is an independent contractor to the School. The School Board provides the services of supervisory, instructional, and support personnel to the School as well as operation, maintenance, and security of the facilities. The School Board provides (and retains title to) all furniture, fixtures, and equipment used by the School. (See Note 5)

The School compensates the School Board an amount equal to 100% of the wages, benefits, workers compensation and other insurance coverages, and other employment-related expenses of the School Board personnel identified in the employee roster for the School. There is no compensation to the School Board for its provision of furniture, fixtures, and equipment.

Agreement for Food Services

The School Board provides food services to the School under an agreement which is renewed annually by written amendment for one year terms. The agreement may be canceled by either party upon 120 days written notice to the other party. Florida Atlantic University includes the School as a program site in its Child Nutrition Program Agreement between the University as the Local Education Agency (LEA) and the Florida Department of Education. The School, through the School Board, charges meal prices to students and adults consistent with those prices charged by the School Board. The School Board collects and retains all meal payments received from students and adults in partial compensation for the meals provided. The School Board's Food and Nutrition Services Accounting Department invoices the School monthly for the meals provided by the School Board. Florida Atlantic University, as fiscal agent for the School, renders payment to the School Board upon receipt of all state and federal funds for which the University is eligible under the program.

Transportation Services

The School obtains transportation services from the School Board. The School's Board of Directors approves expenditures for these services in the absence of a written transportation services agreement.

5 RISK MANAGEMENT PROGRAM

The School has no employees and therefore no responsibility or liability for workers' compensation coverage, health and hospitalization, professional liability, retirement and other employment benefits, and the collection and remittance of payroll taxes. The School does not own any real or personal property. (See Notes 3 and 4) The School Board allocates the cost of insuring the School facilities, for which the School remits payment to the School Board.

**FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

6 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

The following is a schedule of state and local revenue sources and amounts included in the general fund:

Florida Department of Education:	
Florida Education Finance Program	\$ 6,138,698
Class size reduction	1,611,690
School Recognition Funds	132,171
Supplemental academic instruction	416,327
Instructional materials	104,844
Safe schools	73,062
Teacher lead pay	16,926
	<hr/>
Total	<u><u>\$ 8,493,718</u></u>

The following is a schedule of state and local revenue sources (and interest revenue) and amounts included in the capital projects fund:

Public Education Capital Outlay	\$ 792,417
Charter School Capital Outlay	362,121
Interest revenue	121
	<hr/>
Total	<u><u>\$ 1,154,659</u></u>

7 COMMITMENTS AND CONTINGENT LIABILITIES

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 collectibility of any related receivable as of June 30, 2013 may be impaired.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

In the opinion of the School, there are no significant contingent liabilities relating 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

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

Lease commitments

The School's campus is located in Port St. Lucie, Florida. The School Board is lease purchasing the facilities from the St. Lucie School Board Leasing Corporation. The School Board is subleasing the facilities to the School during the term of the charter. The sublease commenced on January 31, 2007 and the initial expiration date is June 30, 2021. The sublease term shall be subject to automatic extension to such period of time as the charter may be extended. (See Note 3)

Future sublease payments for each of the fiscal years ending June 30th, through the initial termination date, June 30, 2021, are as follows:

2014	\$ 1,505,625
2015	1,505,219
2016	1,508,781
2017	1,505,381
2018	1,504,981
2019	1,503,381
2020	1,505,481
2021	<u>1,500,738</u>
	<u>\$ 12,039,587</u>

The School is responsible for sublease payments to the extent the School receives Public Education Capital Outlay funds and/or Charter School Capital Outlay funds (the "Capital Funds"). If a sublease payment is greater than the amount of Capital Funds received by the School during a fiscal year, the shortfall amount is the responsibility of the School Board of St. Lucie County.

FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget-Positive (Negative)
REVENUES				
State and local sources	\$ 8,836,796	\$ 8,836,796	\$ 8,493,718	\$ (343,078)
Contributions and other revenue	253,812	253,812	259,897	6,085
Total revenues	9,090,608	9,090,608	8,753,615	(336,993)
EXPENDITURES				
Current:				
Instruction	5,898,302	5,898,302	5,300,993	597,309
Instructional support services	403,186	403,186	386,571	16,615
Instructional media	140,325	140,325	135,214	5,111
Instruction and curriculum development	129,893	129,893	44,644	85,249
Instructional staff training	213,957	213,957	64,417	149,540
Instructional-related technology	5,998	5,998	7,749	(1,751)
Board	850	850	-	850
General administration	323,013	323,013	319,765	3,248
School administration	675,307	675,307	671,751	3,556
Fiscal services	38,396	38,396	43,340	(4,944)
Central services	86,601	86,601	91,932	(5,331)
Pupil transportation	814,853	814,853	736,187	78,666
Operation of plant	641,592	641,592	576,915	64,677
Maintenance of plant	60,328	60,328	51,084	9,244
Administrative technology services	128,418	128,418	112,275	16,143
Community services	3,887	3,887	244,755	(240,868)
Total expenditures	9,564,906	9,564,906	8,787,592	777,314
Excess of expenditures over revenues	(474,298)	(474,298)	(33,977)	440,321
OTHER FINANCING SOURCES (USES)				
Operating transfer out	-	-	(477,219)	(477,219)
Total other financing sources (uses)	-	-	(477,219)	(477,219)
Net changes in fund balance	(474,298)	(474,298)	(511,196)	(36,898)
Fund balance at beginning of year	2,218,060	2,218,060	2,218,060	-
Fund balance at end of year	\$ 1,743,762	\$ 1,743,762	\$ 1,706,864	\$ (36,898)

See report of independent auditors.

FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Federal sources	\$ 930,190	\$ 930,190	\$ 930,190	\$ -
Total revenues	\$ 930,190	\$ 930,190	\$ 930,190	-
EXPENDITURES				
Current:				
Instruction	\$ 395,371	\$ 395,371	\$ 395,371	-
Instructional support services	3,260	3,260	3,260	-
Instruction and curriculum development	85,281	85,281	85,281	-
Instructional staff training	104,527	104,527	104,527	-
Food services	341,751	341,751	341,751	-
Total expenditures	\$ 930,190	\$ 930,190	\$ 930,190	-
Net changes in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Grant Period	Expenditures
United States Department of Agriculture / School Breakfast Program	10.553	7/1/2012 - 6/30/2013	\$ 59,796
United States Department of Agriculture / National School Lunch Program	10.555	7/1/2012 - 6/30/2013	273,999
United States Department of Agriculture / After School Snack Program	10.556	7/1/2012 - 6/30/2013	7,956
Total Child Nutrition Cluster			<u>341,751</u>
United States Department of Education / Florida Department of Education / Title I Grants to Local Educational Agencies	84.010	7/1/2012 - 6/30/2013	366,480
United States Department of Education / Florida Department of Education / ARRA - Title I Grants to Local Educational Agencies	84.010	7/1/2012 - 6/30/2013	4,393
United States Department of Education / Florida Department of Education / Title I, Part A, School Improvement Grants Sections 1003 (a) and (g)	84.010	7/1/2012 - 6/30/2013	12,196
Total Title I, Part A Program Cluster			<u>383,069</u>
United States Department of Education / Florida Department of Education / Special Education - Grants to States (IDEA, Part B)	84.027A	7/1/2012 - 6/30/2013	188,311
United States Department of Education / Florida Department of Education / Special Education - Preschool Grants (IDEA, Part B)	84.173	7/1/2012 - 6/30/2013	3,410
Total IDEA, Part B Program Cluster			<u>191,721</u>
United States Department of Education / Florida Department of Education / Improving Teacher Quality State Grants (Title II)	84.367	7/1/2012 - 6/30/2013	13,649
Total Expenditures of Federal Awards			<u>\$ 930,190</u>

See accompanying note to schedule of expenditures of federal awards.

**FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
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NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the Florida Single Audit Act and Chapter 10.650, Rules of the Auditor General.



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**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 FAU – Treasure Coast University Schools, Inc., a Charter School
and Component Unit of Florida Atlantic University

We have audited the financial statements of the governmental activities and each major fund of FAU – Treasure Coast University Schools, Inc. (the "School"), a charter school and component unit of Florida Atlantic University, as of and for the year ended June 30, 2013, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 6, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in the School's internal control described in the accompanying schedule of findings and questioned costs as Finding No. 2013-01 to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2013-02.

This report is intended solely for the information and use of management of the School, the Board of Directors, others within the entity, Florida Atlantic University, the Florida Department of Education, the Florida Auditor General, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gerstle, Rosen & Goldenberg, P.A.

GERSTLE, ROSEN & GOLDENBERG, P.A.
Boca Raton, Florida
December 6, 2013



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Certified Public Accountants

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Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General

To the Board of Directors of FAU – Treasure Coast University Schools, Inc., a Charter School and Component Unit of Florida Atlantic University

Compliance

We have audited the compliance FAU – Treasure Coast University Schools, Inc. (the "School"), a charter school and component unit of Florida Atlantic University, with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013. The School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School'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 and OMB Circular A-133 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 or state program occurred. An audit includes examining, on a test basis, evidence about the School'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 of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

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Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, 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, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management of the School, the Board of Directors, others within the entity, Florida Atlantic University, the Florida Department of Education, the Florida Auditor General, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gerstle, Rosen & Goldenberg, P.A.

GERSTLE, ROSEN & GOLDENBERG, P.A.
Boca Raton, Florida
December 6, 2013

**FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
FLORIDA ATLANTIC UNIVERSITY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 or Chapter 10.650, Rules of the Auditor General? Yes

Identification of major federal programs:

<u>CFDA Number</u>	<u>Grant Period</u>	<u>Name of Federal Program</u>
10.553	7/1/12 - 6/30/13	School Breakfast Program
10.555	7/1/12 - 6/30/13	School Lunch Program
10.556	7/1/12 - 6/30/13	Special Milk Program for Children
84.010	7/1/12 - 6/30/13	Title I Grants to Local Education Agencies
84.010	7/1/12 - 6/30/13	Title I School Improvement Initiative 1003(a)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee? No

**FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
FLORIDA ATLANTIC UNIVERSITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)**

Section II - Financial Statement Findings

Finding No. 2013-01 – Material Weakness

Criteria:

For proper reporting and auditing of the School's financial statements, an accurate and complete trial balance must be maintained.

Statement of condition:

During our auditing procedures, we noted that the School was not able to prepare a trial balance that included all the activities of the school during the year.

Questioned costs:

None.

Effect of condition:

Reports were gathered from multiple sources in order to obtain complete financial information.

Cause of condition:

Multiple sources, processes and pathways are utilized for processing financial activities for TCUS, Inc. Several of these processes were established through the document entitled Certificates of Participation Series 2007. These processes established the pathway of Federal Entitlement funds through the College of Education as well as Research Accounting at Florida Atlantic University, FRL meal funding is processed through AD Henderson School, PECO is processed through the Division of Facilities at Florida Atlantic University and FEFP is processed through the College of Education, Florida Atlantic University.

Recommendation:

We recommend that the School establish procedures to produce a trial balance that includes all the activities and transactions of the school in one location that is kept current.

Management's response:

FAU College of Education will maintain a monthly General ledger portfolio for the financial activities of TCUS, Inc. The General ledger accounts will include: Federal entitlements, FEFP, FRL and PECO. These general ledger accounts, both revenue and capital will be maintained each month by the College of Education. The school will continue to maintain an FEFP fund balance for the purpose of daily financial operations. The FEFP fund balance will be forwarded to Florida Atlantic University to be maintained as the location for the General ledger portfolio.

**FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
FLORIDA ATLANTIC UNIVERSITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)**

Section III - Federal Award Findings and Questioned Costs

Finding No. 2013-02

Criteria:

The National School Lunch Program (NSLP) requires all recipients to conduct a verification of free and reduced lunch application eligibility by November 15th of each year. This verification process must be done for the lesser of 3% or 3,000 of the approved applications on file as of October 1.

Statement of condition:

During our auditing procedures, we noted that the School did not complete the verification process.

Questioned costs:

None.

Effect of condition:

The School is not in compliance with the Special Test section of the single audit requirements for the NSLP.

Cause of condition:

The current Agreement for Food Services between the School and the School Board of St. Lucie County addresses distribution and processing of school meal applications. However, this agreement is silent as to the verification of meal applications (paragraph 1.03).

Recommendation:

We recommend that the School establish procedures to ensure that all requirements of the program are met and that the Special Test is completed by the established deadline.

Management's response:

For the 2013-2014 fiscal year the School will utilize a manual process for sample selection and parent notification to ensure that the School will be in compliance. The future Agreement for Food Services between the School and the School Board of St. Lucie County will contain a provision for meal verification.

Section IV - Status of Prior Year Audit Findings

The year ended June 30, 2013 is the first fiscal year for which an audit report has been issued.

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



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To the Board of Directors of FAU – Treasure Coast University Schools, Inc., a Charter School and Component Unit of Florida Atlantic University

We have audited the financial statements of the governmental activities and each major fund of FAU – Treasure Coast University Schools, Inc. (the "School") as of and for the year ended June 30, 2013, and have issued our report thereon dated December 6, 2013.

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 on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 6, 2013, should be considered in conjunction with this management letter.

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

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the prior year.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of laws, regulations, 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 more than inconsequential. In connection with our audit, we did not have any such findings.

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- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)6, Rules of the Auditor General, requires the name or official title of the school. The name of the School is FAU – Treasure Coast University Schools, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes ("the conditions"). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2013, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management.

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, the Board of Directors, Florida Atlantic University, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Gerstle, Rosen & Goldenberg, P.A.

GERSTLE, ROSEN & GOLDENBERG, P.A.
Boca Raton, Florida
December 6, 2013