

THE HOPE CENTER FOR AUTISM, INC.

**Basic Financial Statements
with
Independent Auditors' Report**

Year ended June 30, 2012

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Independent Auditors' Report

To the Board of Directors
The Hope Center for Autism, Inc.
Stuart, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Hope Center for Autism, Inc. (School), a component unit of the Martin County District School Board, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of The Hope Center for Autism, Inc. as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2012 on our consideration of The Hope Center for Autism, Inc.'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 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.



Kmetz, Nuttall, Elwell, Graham, PLLC
Certified Public Accountants
August 18, 2012

**THE HOPE CENTER FOR AUTISM, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

As management of The Hope Center for Autism, Inc. (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2012. This overview and analysis is required by generally accepted accounting principles (GAAP) in the United States of America in Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34).

FINANCIAL HIGHLIGHTS

- The assets of the School as reported in the government-wide financial statements exceeded its liabilities at the close of the current fiscal year by \$397,454 (net position). Of this amount, \$239,529 (unrestricted net position) may be used to meet the ongoing obligations of the School. The School's total net position increased by \$46,868 or 13% in comparison with the prior year net position.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$278,509, or 31% of total expenditures. The School's combined ending fund balances decreased by (\$7,196) or 3% in comparison with the prior year balances. \$239,529 is available for spending at the School's discretion (unassigned fund balance) and has been appropriated in the subsequent year's budget.
- Net investment in capital assets increased over the prior year by \$297,955.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) supplementary auditors' reports.

Government-wide financial statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School's assets (both short-term spendable resources and capital assets) and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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

Both of the government-wide financial statements present functions of the School that are principally supported by local revenues (FTE dollars through the Martin County School District) (*governmental activities*) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The School has no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 8 and 9 of this report.

THE HOPE CENTER FOR AUTISM, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Fund financial statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds used by the School are considered governmental fund types.

Governmental fund – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The School adopts an annual appropriated budget for all funds. Government accounting standards require the School to report a budgetary comparison statement for the general fund and any major special revenue funds. A budgetary comparison statement has been provided for both the general fund. The School has no major special revenue funds. The basic governmental fund financial statements can be found on pages 10 – 13 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 - 22 of this report.

Required supplementary information – The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$397,454 at June 30, 2012.

A portion of the School's net position (30%) reflects its net investment in capital assets, net of related debt (e.g. equipment and furniture). The School uses these capital assets to provide educational services; consequently, these assets are *not* available for future spending.

**THE HOPE CENTER FOR AUTISM, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

THE HOPE CENTER FOR AUTISM, INC.'S NET POSITION

	2012	2011
Current assets	\$ 287,528	\$ 292,690
Capital assets, net	362,836	64,881
Total assets	650,364	357,571
Current liabilities	9,019	6,985
Long-term liabilities	243,891	-
Total liabilities	252,910	6,985
Net assets:		
Net investment in capital assets	118,945	64,881
Restricted for:		
Capital projects	38,980	-
Unrestricted	239,529	285,705
Total net position	\$ 397,454	\$ 350,586

An additional portion of the School's net position (60%) represents an *unrestricted net position* that is available to meet the financial obligations of the School. At the end of the current fiscal year, the School is able to report positive balances in all three categories of net position.

**THE HOPE CENTER FOR AUTISM, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

THE HOPE CENTER FOR AUTISM, INC.'S CHANGE IN NET POSITION

	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 22,061	\$ 22,206
Operating grants and contributions	402	4,494
Capital grants and contributions	10,461	11,856
General revenues:		
FTE non-specific revenues	801,652	860,753
Gifts, grants and bequests not restricted to specific programs	124,709	71,217
Interest earned	180	779
Total revenues	959,465	971,305
Expenses:		
Instruction	631,929	612,231
Instructional staff training	7,268	5,552
Board	6,413	10,637
School administration	152,331	137,349
Facilities acquisition and construction	57,500	46,678
Fiscal services	10,634	11,515
Operation of plant	15,970	14,162
Maintenance of plant	16,065	22,078
Interest on long-term debt	8,659	-
Depreciation - unallocated	5,828	6,160
Total expenses	912,597	866,362
Increase (decrease) in net position	46,868	104,943
Net position, beginning of year	350,586	245,643
Net position, end of year	\$ 397,454	\$ 350,586

Governmental activities – The School relies heavily on general revenues (i.e. FTE dollars) to fund the expenses of the governmental activities. General revenues comprise 97% of total revenues.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

**THE HOPE CENTER FOR AUTISM, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Governmental funds – The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$278,509, a decrease of (\$7,196) over the previous fiscal year. The fund balance consists of *unassigned fund balance* of \$239,529, which is available for spending at the School's discretion.

GENERAL AND SPECIAL REVENUE FUNDS BUDGETARY HIGHLIGHTS

- The original budget was not amended for fiscal year June 30, 2012.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The School's investment in capital assets for its governmental activities as of June 30, 2012, amounted to \$362,836 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, equipment and furniture. Additional information on the School's capital assets can be found in Notes 1 and 2 on pages 16 - 20 of this report.

Long-term debt – The School has related debt outstanding as of June 30, 2012, of \$243,891 that was used to acquire these assets. Additional information on the School's long-term debt can be found in Notes 1 and 3 on pages 17 and 21 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The School received the majority of its revenues from FTE dollars provided by Martin County School District.
- Martin County School District continues to retain 5% administrative costs on revenues.
- The Charter School's enrollment is at 100%
- The Charter School has estimated revenues and appropriations in the fiscal year 2012-2013 budget of \$1,057,060 and \$1,057,017, respectively. Appropriations include an additional \$77,900 for instructional wages, \$24,900 for administrative wages, and \$85,000 for facilities acquisition and construction costs.

All of these factors were considered in preparing the School's budget for 2012-2013 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Stacie Routt, Director, The Hope Center for Autism, Inc., 1695 S.E. Indian Street, Stuart, Florida 34994.

The Hope Center for Autism, Inc.
A Charter School and Component Unit of the
Martin County District School Board
Statement of Net Position

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 276,527	\$ -	\$ 276,527
Other receivables	13	-	13
Prepaid rent	9,500	-	9,500
Deposits	1,488	-	1,488
Capital assets, net	362,836	-	362,836
Total Assets	650,364	-	650,364
Liabilities			
Accounts payable	820	-	820
Accrued wages	8,199	-	8,199
Long term liabilities:			
Due within one year	10,040	-	10,040
Due in more than one year	233,851	-	233,851
Total Liabilities	252,910	-	252,910
Net Position			
Net investment in capital assets	118,945	-	118,945
Restricted for:			
Capital projects	38,980	-	38,980
Unrestricted	239,529	-	239,529
Total Net Position	\$ 397,454	\$ -	\$ 397,454

See accompanying notes to the basic financial statements.

The Hope Center for Autism, Inc.
A Charter School and Component Unit of the
Martin County District School Board
Statement of Activities

Year ended June 30, 2012

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction	\$ 631,929	\$ 22,061	\$ 402	\$ -	\$ (609,466)	\$ -	\$ (609,466)
Instructional staff training	7,268	-	-	-	(7,268)	-	(7,268)
Board	6,413	-	-	-	(6,413)	-	(6,413)
School administration	152,331	-	-	-	(152,331)	-	(152,331)
Facilities acquisition and construction	57,500	-	-	10,461	(47,039)	-	(47,039)
Fiscal services	10,634	-	-	-	(10,634)	-	(10,634)
Operation of plant	15,970	-	-	-	(15,970)	-	(15,970)
Maintenance of plant	16,065	-	-	-	(16,065)	-	(16,065)
Interest on long-term debt	8,659	-	-	-	(8,659)	-	(8,659)
Depreciation - unallocated *	5,828	-	-	-	(5,828)	-	(5,828)
Total Governmental Activities	\$ 912,597	\$ 22,061	\$ 402	\$ 10,461	(879,673)	-	(879,673)
General Revenues:							
Local revenue:							
Florida Education Finance Program					595,924	-	595,924
Class size reduction					178,932	-	178,932
Student academic improvement					6,107	-	6,107
Instructional materials					2,406	-	2,406
Safe schools					2,941	-	2,941
IDEA					15,342	-	15,342
Gifts, grants and bequests not restricted to specific programs					124,709	-	124,709
Interest earned					180	-	180
Total General Revenues					926,541	-	926,541
Change in Net Position					46,868	-	46,868
Net Position, beginning					350,586	-	350,586
Net Position, ending					\$ 397,454	\$ -	\$ 397,454

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

The Hope Center for Autism, Inc.
A Charter School and Component Unit of the
Martin County District School Board
Balance Sheet - Governmental Funds

June 30, 2012

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	\$ 276,527	\$ -	\$ 276,527
Other receivables	13	-	13
Prepaid rent	9,500	-	9,500
Deposits	1,488	-	1,488
Total Assets	\$ 287,528	\$ -	\$ 287,528
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 820	\$ -	\$ 820
Accrued wages	8,199	-	8,199
Total Liabilities	9,019	-	9,019
Fund balances:			
Restricted for:			
Capital projects	38,980	-	38,980
Unassigned	239,529	-	239,529
Total Liabilities and Fund Balances	\$ 287,528	\$ -	287,528

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	362,836
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	(243,891)
Net position of governmental activities	<u>\$ 397,454</u>

See accompanying notes to the basic financial statements.

The Hope Center for Autism, Inc.

A Charter School and Component Unit of the
Martin County District School Board

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

Year ended June 30, 2012

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Intergovernmental:			
State through local	\$ -	\$ 10,461	\$ 10,461
Federal through State	402	-	402
Local	948,422	-	948,422
Interest	180	-	180
Total Revenues	949,004	10,461	959,465
Expenditures			
Current - Education:			
Instruction	630,842	-	630,842
Instructional staff training	7,268	-	7,268
Board	6,413	-	6,413
School administration	152,331	-	152,331
Facilities acquisition and construction	57,500	-	57,500
Fiscal services	10,634	-	10,634
Operation of plant	15,970	-	15,970
Maintenance of plant	16,065	-	16,065
Debt service	-	14,768	14,768
Fixed Capital Outlay:			
Facilities acquisition and construction	-	304,870	304,870
Total Expenditures	897,023	319,638	1,216,661
Excess (Deficit) of Revenues over Expenditures	51,981	(309,177)	(257,196)
Other Financing Sources (Uses)			
Loan proceeds	-	250,000	250,000
Operating transfers in (out)	(59,177)	59,177	-
Excess (Deficit) of Revenues and Other Sources over Expenditures and Other Uses	(7,196)	-	(7,196)
Fund Balance, beginning of year	285,705	-	285,705
Fund Balance, end of year	\$ 278,509	\$ -	\$ 278,509

See accompanying notes to the basic financial statements.

The Hope Center for Autism, Inc.

A Charter School and Component Unit of the
Martin County District School Board

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

Year ended June 30, 2012

Net change in fund balances - governmental funds	\$ (7,196)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$304,870) exceeds depreciation expense (\$6,915) in the period.	297,955
Revenues reported as loan proceeds in the funds are not reported as revenues in the statement of activities	(250,000)
Repayment of the mortgage payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	6,109
Change in net position of governmental activities	\$ 46,868

See accompanying notes to the basic financial statements.

The Hope Center for Autism, Inc.
A Charter School and Component Unit of the
Martin County District School Board
Budgetary Comparison Schedule - General Fund

Year ended June 30, 2012

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local	\$ 838,447	\$ 838,447	\$ 948,422	\$ 109,975
Federal through State	-	-	402	402
Interest	-	-	180	180
Total Revenues	838,447	838,447	949,004	110,557
Expenditures				
Current - Education:				
Instruction	588,146	588,146	630,842	(42,696)
Instructional staff training	7,100	7,100	7,268	(168)
Board	6,754	6,754	6,413	341
School administration	145,335	145,335	152,331	(6,996)
Facilities acquisition and construction	-	-	57,500	(57,500)
Fiscal services	7,000	7,000	10,634	(3,634)
Operation of plant	79,845	79,845	15,970	63,875
Maintenance of plant	6,140	6,140	16,065	(9,925)
Total Expenditures	840,320	840,320	897,023	(56,703)
Excess of Revenues over Expenditures	(1,873)	(1,873)	51,981	53,854
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	(59,177)	(59,177)
Excess (Deficit) of Revenues and Other Sources over Expenditures and Other Uses	(1,873)	(1,873)	(7,196)	(5,323)
Fund Balance, beginning of year	86,840	51,206	285,705	
Fund Balance, end of year	\$ 84,967	\$ 49,333	\$ 278,509	

See accompanying notes to the basic financial statements.

The Hope Center for Autism, Inc.

A Charter School and Component Unit of the
Martin County District School Board
Notes to Basic Financial Statements

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Hope Center for Autism, Inc., is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors, which is composed of not less than five members. The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the School has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

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 Martin County District School Board. The current charter is effective until June 30, 2017. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The Hope Center for Autism, Inc. is considered a component unit of the Martin County District School Board.

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 Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide 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, no component units are included within the reporting entity of the School.

Basis of Presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School has no business-type activities. Governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Reconciling items arise from differences in the measurement focuses and bases of accounting between the statements, and certain required eliminations.

The Hope Center for Autism, Inc.

A Charter School and Component Unit of the
Martin County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Government-wide Statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The School's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The School first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School's functions and business-type activities. The functions are also supported by general revenues (funding received from the Martin County School District, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (administration, food services, facilities acquisition and construction, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue. The School does not allocate indirect costs. This government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, 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 School's major governmental funds are as follows:

General Fund - Used to account for all financial resources not required to be accounted for in another fund.

Capital Projects Fund - Used to account for the financial resources to be used in the acquisition, construction, or improvement of capital facilities.

Basis of Accounting

Basis of accounting refers to when revenues and 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.

Both governmental and business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The Hope Center for Autism, Inc.

A Charter School and Component Unit of the
Martin County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

The governmental funds financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis, revenues, except for certain grant revenues, are recognized when they become measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the current fiscal period. 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. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except unmatured interest on long-term debt, which should be recognized when due. The principal exception to this general rule is that prepaid items are generally not accrued.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay). The budget is adopted and approved by the Board of Directors. The budget amounts presented in the accompanying financial statements are amended by the School’s Board of Directors and adopted on a basis consistent with generally accepted accounting principles.

Cash

The School's cash consists of demand deposits with financial institutions, which are insured by Federal depository insurance.

Capital Assets and Depreciation

Expenditures for capital assets acquired for general school purposes are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated assets are recorded at fair market value at the date of donation. The School maintains a capitalization threshold of \$750. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Improvements other than buildings	15 years
Leasehold improvements	15 years
Furniture, fixtures and equipment	3-10 years
Computer software	5 years

The Hope Center for Autism, Inc.

A Charter School and Component Unit of the
Martin County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Revenue Sources

Revenues for current operations are received primarily from the Martin County District School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during the designated FTE student survey periods.

The School received 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.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements awarded before the eligibility requirements are met are recorded as deferred revenue.

Compensated Absences

Sick and personal leave expenditures are recognized when payments are made to the employees. Sick and personal leave do not accumulate from year-to-year, thus no liability is recorded.

Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Restricted Fund Balance/Net Position

The restricted fund balance/net position is restricted contributions set aside for capital projects, whose use is limited by donor restrictions.

The Hope Center for Autism, Inc.

A Charter School and Component Unit of the

Martin County District School Board

Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Disclosure

The School implemented the provisions of GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions (GASB No. 54)”, in 2011, as required. The purpose of GASB 54 is to improve the consistency and usefulness of the fund balances information to the financial user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the can be spent.

Governmental Fund Financial Statements. In accordance with GASBS No. 54, the School classifies fund balances in the governmental funds as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School did not have any nonspendable resources as of June 30, 2012.

Spendable Fund Balance includes Restricted, Committed, Assigned, and Unassigned designations:

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School had restricted resources for capital projects of \$38,980 as of June 30, 2012.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2012.

Assigned – This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School or by an official or body to which the School delegates the authority. The School did not have any assigned resources as of June 30, 2012.

Unassigned – This classification includes the residual fund balance for the General Fund.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

The Hope Center for Autism, Inc.

A Charter School and Component Unit of the
Martin County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Disclosure (continued)

Beginning with fiscal year end June 30, 2012, the School implemented the provisions of GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB No. 63)”, in 2012, as required. The purpose of GASB 63 is to establish guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

Governmental-wide Financial Statements. In accordance with GASB No. 63, the School classifies net position in the government-wide financial statements as follows:

Net Investment in Capital Assets – This classification includes the School’s capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – This classification includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The School typically uses restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use until a future project. As of June 30, 2012, the School has restricted funds of \$38,980 for capital projects..

Unrestricted Net Position – This classification typically includes unrestricted liquid assets. The School has the authority to revisit or alter this designation.

Beginning net positions for the School’s government-wide funds have been restated to reflect the above classifications.

Interfund Activity

Loans between governmental funds are reported as interfund receivables or payables as appropriate and are subject to elimination upon consolidation. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. During the year ended June 30, 2012, the School made an interfund transfer of \$59,177 from the general fund to the capital projects fund to temporarily subsidize the capital projects funds. As funds become available the capital projects fund will transfer back amounts subsidized by the general fund.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year ended June 30, 2012.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

The Hope Center for Autism, Inc.

A Charter School and Component Unit of the
 Martin County District School Board
 Notes to Basic Financial Statements (continued)

Subsequent Events

Management has evaluated subsequent events through August 18, 2012, the date the financial statements were available to be issued.

Note 2 – Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ -	\$ 301,520	\$ -	\$ 301,520
Total capital assets not being depreciated	-	301,520	-	301,520
Improvements other than buildings	3,260	-	-	3,260
Leasehold improvements	60,383	-	-	60,383
Furniture, fixtures and equipment	22,822	3,350	-	26,172
Computer software	9,698	-	-	9,698
Total other capital assets at historical cost	96,163	3,350	-	99,513
Less accumulated depreciation for:				
Improvements other than buildings	(91)	(217)	-	(308)
Leasehold improvements	(6,039)	(4,026)	-	(10,065)
Furniture, fixtures and equipment	(15,453)	(2,672)	-	(18,125)
Computer software	(9,699)	-	-	(9,699)
Total accumulated depreciation	(31,282)	(6,915) *	-	(38,197)
Other capital assets, net	64,881	297,955	-	362,836
Governmental activities capital assets, net	\$ 64,881	\$ 297,955	\$ -	\$ 362,836

*** Depreciation expense was charged to governmental functions as follows:**

Instruction	\$ 1,087
Unallocated	5,828
	\$ 6,915

The Hope Center for Autism, Inc.

A Charter School and Component Unit of the

Martin County District School Board

Notes to Basic Financial Statements (continued)

Note 3 – Long-Term Liabilities

The changes in the School's long-term obligations for governmental activities during the year consist of the following:

	Principal Outstanding June 30, 2011	Additions	Reductions	Principal Outstanding June 30, 2012	Amount Due in One Year
Mortgage payable	\$ -	\$ 250,000	\$ 6,109	\$ 243,891	\$ 10,040

On November 28, 2011, the School negotiated a seller financed mortgage payable with Joel L. Prince for \$250,000 for the purchase of land. Beginning January 1, 2012, the agreement requires monthly principal and interest payments of \$2,110. The mortgage matures on December 1, 2026, and bears interest at a fixed rate of 6.0% per annum. The mortgage is secured by the real property.

Currently payments on the mortgage payable are made by the General Fund.

Amounts needed for the planned extended repayment of the mortgage at June 30, 2012, are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2013	\$ 10,040	\$ 13,166	\$ 23,206
2014	11,600	13,716	25,316
2015	12,316	13,000	25,316
2016	13,075	12,241	25,316
2017	13,882	11,434	25,316
2018 and thereafter	182,978	57,524	240,502
	\$ 243,891	\$ 121,081	\$ 364,972

Note 4 – Lease

On October 29, 2009, the School entered into a five-year operating lease agreement commencing on January 1, 2011, for \$4,000 per month (with yearly increases), and expiring on December 31, 2014. An operating lease differs from a capital lease in that no asset is recorded and no depreciation is charged. Rental expense incurred for the year ended June 30, 2012, amounted to \$57,500. The following is a schedule of future minimum lease payments:

For fiscal year ending June 30,	
2013	\$ 61,500
2014	64,575
2015	33,075
	\$ 159,150

Note 5 – Risk Management Programs

General liability, professional liability, property, and workers' compensation coverage's are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Commercial coverage has not been exceeded.

The Hope Center for Autism, Inc.

A Charter School and Component Unit of the
Martin County District School Board
Notes to Basic Financial Statements (continued)

Note 6 – Governmental Fund Balance

GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions,” redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Spendable:

Restricted – Amounts that can be spent only for specific purposes because of the School Charter, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the Board of Directors.

Assigned – Amounts that are designated by the Principal for a specific purpose.

Unassigned – All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 10). As discussed in Note 1, restricted funds are used first as appropriate. Decreases to fund balance first reduce Unassigned Fund Balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

General Fund

The General Fund has an Unassigned Fund Balance of \$239,529 at June 30, 2012. The General Fund has Restricted Funds consisting of \$38,980 for capital projects as of June 30, 2012.

Note 7 – Net Position

At June 30, 2012, the net position of the School consisted of the following:

	Governmental Activities	Business-type Activities
Net investment in capital assets:		
Net property, plant and equipment	\$ 362,836	\$ -
Less:		
Mortgage payable	(243,891)	-
Total net investment in capital assets	118,945	-
Restricted for:		
Capital projects	38,980	-
Unrestricted	239,529	-
Total net position	\$ 397,454	\$ -

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

To the Board of Directors
The Hope Center for Autism, Inc.
Stuart, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Hope Center for Autism, Inc. (School), a component unit of the Martin County District School Board, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 18, 2012. 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.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
The Hope Center for Autism, Inc.

This report is intended for the information and use of the board of directors, management, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Kmetz, Nuttall, Elwell, Graham, PLLC
Certified Public Accountants

August 18, 2012

DRAFT

Management Letter

To the Board of Directors
The Hope Center for Autism, Inc.
Stuart, Florida

We have audited the basic financial statements of The Hope Center for Autism, Inc., as of and for the year ended June 30, 2012, and have issued our report thereon dated August 18, 2012.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, if any, which are dated August 18, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of 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 included the following information, which is not included in the aforementioned auditor's report.

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 prior audit findings.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have 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.

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 contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

To the Board of Directors
The Hope Center for Autism, Inc.

Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the school is The Hope Center for Autism, 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(s) met. In connection with our audit, we determined that The Hope Center for Autism, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor The Hope Center for Autism, Inc.'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.

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 the board of directors, management, the Florida Auditor General, Martin County School District, and the Office of School Choice, and is not intended to be and should not be used by anyone other than these specified parties.



Kmetz, Nuttall, Elwell, Elwell, PLLC
Certified Public Accountants

August 18, 2012