

THE HOPE CENTER FOR AUTISM, INC.

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

Year ended June 30, 2010

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KMETZ NUTTALL ELWELL GRAHAM, PLLC
Certified Public Accountants

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, 2010, 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 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 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of The Hope Center for Autism, Inc. as of June 30, 2010, 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 September 27, 2010, 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.

The management's discussion and analysis on pages 3 - 7 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Kmetz, Nuttall, Elwell, Graham, PLLC
Certified Public Accountants
September 27, 2010

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**THE HOPE CENTER FOR AUTISM, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010. 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 \$245,643 (net assets). Of this amount, \$170,437 (unrestricted net assets) may be used to meet the ongoing obligations of the School. The School's total net assets increased by \$114,633 or 87% in comparison with prior year net assets.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$180,740, or 29% of total expenditures. The School's combined ending fund balances increased by \$100,292 or 125% in comparison with the prior year balances. \$170,437 of the \$180,740 is available for spending at the School's discretion (unreserved fund balance) and has been appropriated in the subsequent year's budget; the remaining \$10,303 has been designated for capital projects.
- Investment in capital assets increased over the prior year by \$14,341.

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 assets* 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 assets*. Over time, increases and decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 thorough 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, 2010**

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 and special revenue fund. 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 - 19 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$245,643 at June 30, 2010.

A portion of the School's net assets (26%) reflects its 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, 2010**

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

	2010	2009
Current assets	\$ 225,177	\$ 94,148
Capital assets, net	64,903	50,562
Total assets	290,080	144,710
Current liabilities	44,437	13,700
Total liabilities	44,437	13,700
Net assets:		
Invested in capital assets	64,903	50,562
Restricted for:		
Capital projects	10,303	-
Unrestricted	170,437	80,448
Total net assets	\$ 245,643	\$ 131,010

An additional portion of the School's net assets (69%) represents *unrestricted net assets* that are 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 assets.



**THE HOPE CENTER FOR AUTISM, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

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

	2010	2009
Revenues:		
Program revenues:		
Charges for services	\$ 13,979	\$ -
Capital grants and contributions	10,303	-
General revenues:		
FTE non-specific revenues	659,400	365,093
Gifts, grants and bequests not restricted to specific programs	34,325	43,749
Interest earned	494	-
Total revenues	718,501	408,842
Expenses:		
Instruction	399,450	309,581
Instructional staff training	8,544	-
Board	6,101	3,926
School administration	97,553	72,621
Facilities acquisition and construction	35,654	-
Fiscal services	7,516	8,003
Operation of plant	863	7,200
Maintenance of plant	4,622	3,236
Depreciation - unallocated	5,368	4,667
Loss on sale of assets	38,197	-
Total expenses	603,868	409,234
Increase (decrease) in net assets	114,633	(392)
Net assets, beginning of year	131,010	131,402
Net assets, end of year	\$ 245,643	\$ 131,010

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, 2010**

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, *unreserved 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 \$180,740, an increase of \$100,292 over the previous fiscal year. The fund balance consists of *unreserved fund balance*, 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, 2010.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The School's investment in capital assets for its governmental activities as of June 30, 2010, amounted to \$64,903 (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, 18 and 19 of this report.

Long-term debt – The School has no long-term debt.

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 2010-2011 budget of \$757,947 and \$758,286, respectively. Appropriations include an additional \$114,000 for instructional wages, \$16,000 for administrative wages, \$7,500 for office/computer equipment, and \$5,000 for leasehold improvements.

All of these factors were considered in preparing the School's budget for 2010-2011 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 Assets

June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 204,043	\$ -	\$ 204,043
Other receivables	343	-	343
Deposits	10,488	-	10,488
Due from local sources	10,303	-	10,303
Capital assets, net	64,903	-	64,903
Total Assets	290,080	-	290,080
Liabilities			
Accounts payable	19,962	-	19,962
Due to local sources	24,475	-	24,475
Total Liabilities	44,437	-	44,437
Net Assets			
Invested in capital assets	64,903	-	64,903
Restricted for:			
Capital projects	10,303	-	10,303
Unrestricted	170,437	-	170,437
Total Net Assets	\$ 245,643	\$ -	\$ 245,643

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, 2010

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction	\$ 399,450	\$ 13,979	\$ -	\$ -	\$ (385,471)	\$ -	\$ (385,471)
Instructional staff training	8,544	-	-	-	(8,544)	-	(8,544)
Board	6,101	-	-	-	(6,101)	-	(6,101)
School administration	97,553	-	-	-	(97,553)	-	(97,553)
Facilities acquisition and construction	35,654	-	-	10,303	(25,351)	-	(25,351)
Fiscal services	7,516	-	-	-	(7,516)	-	(7,516)
Operation of plant	863	-	-	-	(863)	-	(863)
Maintenance of plant	4,622	-	-	-	(4,622)	-	(4,622)
Depreciation - unallocated *	5,368	-	-	-	(5,368)	-	(5,368)
Total Governmental Activities	\$ 565,671	\$ 13,979	\$ -	\$ 10,303	(541,389)	-	(541,389)
General Revenues:							
Local revenue:							
Florida Education Finance Program					502,160	-	502,160
Class size reduction					140,469	-	140,469
Student academic improvement					4,804	-	4,804
Instructional materials					1,958	-	1,958
Safe schools					3,131	-	3,131
IDEA					6,878	-	6,878
Gifts, grants and bequests not restricted to specific programs					34,325	-	34,325
Interest earned					494	-	494
Total General Revenues					694,219	-	694,219
Loss on sale of assets					(38,197)	-	(38,197)
Change in Net Assets					114,633	-	114,633
Net Assets, beginning					131,010	-	131,010
Net Assets, ending					\$ 245,643	\$ -	\$ 245,643

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

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
Balance Sheet - Governmental Funds

June 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 204,043	\$ -	\$ 204,043
Other receivables	343	-	343
Deposits	10,488	-	10,488
Due from local sources	-	10,303	10,303
Total Assets	\$ 214,874	\$ 10,303	\$ 225,177
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 19,962	\$ -	\$ 19,962
Due to local sources	24,475	-	24,475
Total Liabilities	44,437	-	44,437
Fund balances:			
Unreserved	170,437	10,303	180,740
Total Liabilities and Fund Balances	\$ 214,874	\$ 10,303	225,177

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

64,903

Net assets of governmental activities

\$ 245,643

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, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local	\$ 707,704	\$ -	\$ 707,704
Federal through local	-	10,303	10,303
Interest	494	-	494
Total Revenues	708,198	10,303	718,501
Expenditures			
Current - Education:			
Instruction	397,213	-	397,213
Instructional staff training	8,544	-	8,544
Board	6,101	-	6,101
School administration	97,313	-	97,313
Facilities acquisition and construction	35,654	-	35,654
Fiscal services	7,516	-	7,516
Operation of plant	863	-	863
Maintenance of plant	4,622	-	4,622
Fixed Capital Outlay:			
Facilities acquisition and construction	60,383	-	60,383
Total Expenditures	618,209	-	618,209
Excess (Deficit) of Revenues over Expenditures	89,989	10,303	100,292
Fund Balance, beginning of year	80,448	-	80,448
Fund Balance, end of year	\$ 170,437	\$ 10,303	\$ 180,740

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, 2010

Net change in fund balances - governmental funds	\$ 100,292
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 (\$60,383) exceeds depreciation expense (\$7,845) in the period.	52,538
The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net assets differs from the change in fund balances by the loss amount.	(38,197)
Change in net assets of governmental activities	\$ 114,633

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, 2010

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local	\$ 577,956	\$ 577,956	\$ 707,704	\$ 129,748
Interest	-	-	494	494
Total Revenues	577,956	577,956	708,198	130,242
Expenditures				
Current - Education:				
Instruction	346,505	346,505	397,213	(50,708)
Instructional staff training	6,235	6,235	8,544	(2,309)
Board	3,850	3,850	6,101	(2,251)
School administration	100,148	100,148	97,313	2,835
Facilities acquisition and construction	80,434	80,434	96,037	(15,603)
Fiscal services	6,500	6,500	7,516	(1,016)
Operation of plant	-	-	863	(863)
Maintenance of plant	-	-	4,622	(4,622)
Total Expenditures	543,672	543,672	618,209	(74,537)
Excess of Revenues over Expenditures	34,284	34,284	89,989	\$ 55,705
Fund Balance, beginning of year	9,016	13,261	80,448	
Fund Balance, end of year	\$ 43,300	\$ 47,545	\$ 170,437	

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, 2012. 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 Assets, 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 assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. 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 assets 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.

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)

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. 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 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 assets, 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:

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.

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.

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, 2010, the School had no interfund transfers.



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)**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, 2010.

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.

Subsequent Events

Management has evaluated subsequent events through September 27, 2010, 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, 2010, was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Other capital assets:				
Buildings and fixed equipment	\$ 49,777	\$ -	\$ (49,777)	\$ -
Improvements other than buildings	5,121	-	(5,121)	-
Leasehold improvements	-	60,383	-	60,383
Furniture, fixtures and equipment	18,678	-	-	18,678
Computer software	9,698	-	-	9,698
Total other capital assets at historical cost	83,274	60,383	(54,898)	88,759
Less accumulated depreciation for:				
Buildings and fixed equipment	(13,043)	(1,311)	14,354	-
Improvements other than buildings	(2,091)	(256)	2,347	-
Leasehold improvements	-	(2,013)	-	(2,013)
Furniture, fixtures and equipment	(11,415)	(2,325)	-	(13,740)
Computer software	(6,163)	(1,940)	-	(8,103)
Total accumulated depreciation	(32,712)	(7,845) *	16,701	(23,856)
Other capital assets, net	50,562	52,538	(38,197)	64,903
Governmental activities capital assets, net	\$ 50,562	\$ 52,538	\$ (38,197)	\$ 64,903

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 2 – Capital Assets (continued)

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

Instruction	\$	2,237
School administration		240
Unallocated		5,368
	\$	7,845

Note 3 – Lease

For the period of July 1, 2009 thru January 11, 2010, the School leased its rooms from a local church for \$1 per year. The lease was accounted for as an operating lease. An operating lease differs from a capital lease in that no asset is recorded and no depreciation is charged. The School has estimated the fair value of this space to be \$3,600 for the year ended June 30, 2010. This amount has been recognized in the accompanying financial statements as an in-kind contribution and as rental expense.

On October 29, 2009, the School has entered in a five-year operating lease agreement commencing on January 1, 2010, for \$4,000 per month, and expiring on December 31, 2014. Rental expense incurred for the year ended June 30, 2010, amounted to \$24,000. The following is a schedule of future minimum lease payments:

For fiscal year ending June 30,	
2011	\$ 51,000
2012	57,000
2013	61,500
2014	64,575
2015	33,075
	\$ 267,150

Note 4 – 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.





KMETZ NUTTALL ELWELL GRAHAM, PLLC
Certified Public Accountants

**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, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 27, 2010. 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

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 internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

Procedures and Practices

Established accounting procedures and practices provide guidance for employees in carrying out their duties and responsibilities and in conducting the day-to-day operations of the School. The School has a procedures and practices manual in place. We recognize that the School has limited staff and that the areas to be covered by established practices are much more limited than in a larger organization. Accordingly, we have discussed with School personnel specific areas in which developing and documenting accounting procedures and practices may enhance the effectiveness and efficiency of the School's internal control over operations. Such accounting procedures and practices may be beneficial to address such matters as accounting and record keeping, budget preparation and amendment, accountability and control of fixed assets, and the acquisition of goods and services.

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Michael L. Kmetz, CPA, PFS Scott A. Nuttall, CPA, CFP Brian J. Elwell, CPA Patrick K. Graham, CPA, MA
Teresa M. LaSota, CPA David P. Reisinger, CPA Melissa M. Medlock, CPA Sonu (Sonny) Patel, CPA

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

The effective implementation of these enhanced procedures and practices could specifically provide for additional financial and record keeping controls, including the following:

- Employee duties were not always adequately separated between the authorization, custody and record keeping processes for assets such as cash in bank accounts and purchased goods and services. We recognize that the size of the School limits the extent of separation of employee duties and we recommend the Board continue its high degree of involvement in the financial process.
- The School lacks the skills and competencies to prepare the financial statements, including footnote disclosures. We recommend the Board recruit a member capable of preparing the financial statements, including footnote disclosures.

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. However, we believe the significant deficiencies described above to be material weaknesses.

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*.

The School's response to the findings identified in our audit is enclosed with these financial statements. We did not audit the School's response and, accordingly, we express no opinion on it.

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

September 27, 2010



Independent Auditors' 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, 2010, and have issued our report thereon dated September 27, 2010.

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 September 27, 2010, 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. No findings or recommendations were cited in the prior audit report.

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

September 27, 2010



To Whom It May Concern:

This letter is intended to address the issues raised in our financial audit for fiscal year 2009-2010 completed by Kmetz, Nuttall, Elwell, Graham, PLLC. The financial audit raised two common issues within the report that require our attention.

On page 21 the auditor states:

- Employee duties were not always adequately separated between the authorization, custody and record keeping processes for assets such as cash in bank accounts and purchased goods and services. We recognize that the size of the School limits the extent of separation of employee duties and we recommend the Board continue its high degree of involvement in the financial process.
- The School lacks the skills and competencies to prepare the financial statements, including footnote disclosures. We recommend the Board recruit a member capable of preparing the financial statements, including footnote disclosures.

In response to the first notation, although we are a small organization, we have made efforts to improve the separation of duties. For instance, beginning in August of 2007 the person charged with daily accounting is no longer a signer on the bank account. Therefore in order to have a check signed, it must be presented to two board members who have signers privilege. We intend to continue to improve our limits to secure our assets and provide the best services to the community. Additionally, we have employed a bookkeeper for custody and record keeping processes.

In response to the second notation, the school has hired a book keeper who possesses the level of skill necessary to develop financial statements, including footnote disclosures.

The actions listed above address the notation listed in the financial audit for fiscal year 2009-2010. If any additional information is needed please feel free to contact me.

Thank you,

Stacie Routt
Stacie Routt
Director

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