

**CENTRAL FLORIDA SPEECH AND  
HEARING CENTER, INC.**

**SPECIAL REPORT ON**

**FINANCIAL STATEMENTS**

**OF A.C.E. CHARTER SCHOOL**

**FOR THE YEAR ENDED AUGUST 31, 2007**

**RECEIVED**

**SEP 18 2007**

**AUDITOR GENERAL**

STATE OF FLORIDA DEPARTMENT OF REVENUE

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
**Central Florida Speech and  
Hearing Center, Inc.**  
**A.C.E. Charter School**  
Lakeland, Florida

We have audited the accompanying statement of financial position of **Central Florida Speech and Hearing Center, Inc.'s A.C.E. Charter School** as of June 30, 2007, and the related statements of activities, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Center'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 *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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements for **A.C.E. Charter School** were prepared for the purpose of complying with the Rules of the Auditor General of the State of Florida for Charter Schools as described in Note G and are not intended to be a complete presentation of **Central Florida Speech and Hearing Center, Inc.'s** financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of **Central Florida Speech and Hearing Center, Inc.'s A.C.E. Charter School** at June 30, 2007, and the results of its operations and its cash flows 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 a report dated August 8, 2007, on our consideration of the **Central Florida Speech and Hearing Center, Inc.'s A.C.E. Charter School's** internal control over financial reporting and over tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



**Central Florida Speech and  
Hearing Center, Inc.  
A.C.E. Charter School  
Independent Auditors' Report  
Page Two**

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

*Baylin & Company PA*

**Certified Public Accountants**

August 8, 2007



**CENTRAL FLORIDA SPEECH AND HEARING CENTER, INC.**

**A.C.E. CHARTER SCHOOL**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2007**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$168,212
Accounts receivable, Note B	8,112
Prepaid expenses	2,215
Total current assets	178,539

PROPERTY AND EQUIPMENT, net, Notes A and C	26,781
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<b>TOTAL ASSETS</b>	<b><u>\$205,320</u></b>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 1,922
Total current liabilities	1,922

**NET ASSETS**

Unrestricted, Note A:	
Undesignated	176,616
Net investment in property and equipment	15,667

Total unrestricted	192,283
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Temporarily restricted, Notes A and H	11,115
Permanently restricted, Note A	-

Total restricted	11,115
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Total net assets	203,398
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$205,320</u></b>
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The accompanying notes are an integral part of these financial statements.

**CENTRAL FLORIDA SPEECH AND HEARING CENTER, INC.**

**A.C.E. CHARTER SCHOOL**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>
<b>SUPPORT AND REVENUE</b>				
<b>FEDERAL ASSISTANCE:</b>				
<b>US DEPARTMENT OF EDUCATION PASSED THROUGH FLORIDA DEPARTMENT OF EDUCATION</b>				
Individuals with Disabilities Education Act (IDEA), Part B, Sections 611, and Part D, Section 674, CFDA #84.027	\$ -	\$ 10,168	\$ -	\$ 10,168
<b>TOTAL FEDERAL ASSISTANCE</b>	<b>-</b>	<b>10,168</b>	<b>-</b>	<b>10,168</b>
<b>STATE ASSISTANCE:</b>				
<b>FLORIDA DEPARTMENT OF EDUCATION PASSED THROUGH POLK COUNTY SCHOOL BOARD</b>				
Charter School Program (FEFP)	179,751	-	-	179,751
Charter School Program (Lottery Funds)	823	-	-	823
Charter School Program (SAI Category)	-	4,689	-	4,689
Charter School Program (Instructional materials)	-	1,909	-	1,909
Charter School Program (Class size reduction)	-	17,009	-	17,009
Charter School Program (Capital outlay)	-	12,250	-	12,250
<b>TOTAL STATE ASSISTANCE</b>	<b>180,574</b>	<b>35,857</b>	<b>-</b>	<b>216,431</b>
<b>OTHER SUPPORT AND REVENUE:</b>				
Contributions	200	15,581	-	15,781
Interest income	5,781	-	-	5,781
Net assets released from restriction	61,971	(61,971)	-	-
<b>TOTAL OTHER SUPPORT AND REVENUE</b>	<b>67,952</b>	<b>(46,390)</b>	<b>-</b>	<b>21,562</b>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>248,526</b>	<b>(365)</b>	<b>-</b>	<b>248,161</b>

**CENTRAL FLORIDA SPEECH AND HEARING CENTER, INC.**

**A.C.E. CHARTER SCHOOL**

**STATEMENT OF ACTIVITIES - CONTINUED**

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>
<b>EXCEPTIONAL STUDENTS PROGRAM</b>				
<b>DIRECT COSTS:</b>				
Salaries and benefits, contract	\$ 80,348	\$ -	\$ -	\$ 80,348
Purchased services	2,025	-	-	2,025
Materials and supplies	6,658	-	-	6,658
Facilities rental	16,800	-	-	16,800
Transportation costs	639	-	-	639
Depreciation	5,421	-	-	5,421
<b>TOTAL DIRECT COSTS</b>	<b>111,891</b>	<b>-</b>	<b>-</b>	<b>111,891</b>
<b>INDIRECT COSTS:</b>				
Instructional staff training	3,648	-	-	3,648
General administration	11,264	-	-	11,264
School administration	17,480	-	-	17,480
Fiscal services	8,522	-	-	8,522
Administrative fee paid to District	10,208	-	-	10,208
Operation of plant	10,023	-	-	10,023
<b>TOTAL INDIRECT COSTS</b>	<b>61,145</b>	<b>-</b>	<b>-</b>	<b>61,145</b>
<b>TOTAL COSTS</b>	<b>173,036</b>	<b>-</b>	<b>-</b>	<b>173,036</b>
<b>TOTAL SUPPORT AND REVENUE OVER (UNDER) COSTS</b>	<b>\$ 75,490</b>	<b>\$ (365)</b>	<b>\$ -</b>	<b>\$ 75,125</b>

The accompanying notes are an integral part of these financial statements.

**CENTRAL FLORIDA SPEECH AND HEARING CENTER, INC.**

**A.C.E. CHARTER SCHOOL**

**STATEMENT OF CHANGES IN NET ASSETS**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
BALANCE, June 30, 2006	\$116,793	\$11,480	\$ -	\$128,273
Support and revenue over (under) costs	<u>75,490</u>	<u>(365)</u>	<u>-</u>	<u>75,125</u>
BALANCE, JUNE 30, 2007	<u>\$192,283</u>	<u>\$11,115</u>	<u>\$ -</u>	<u>\$203,398</u>

The accompanying notes are an integral part of these financial statements.

**CENTRAL FLORIDA SPEECH AND HEARING CENTER, INC.**

**A.C.E. CHARTER SCHOOL**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2007**

**OPERATING ACTIVITIES**

Support and revenue over (under) costs	\$ 75,125
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:	
Depreciation	5,421
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(7,218)
(Increase) decrease in prepaid expenses	174
Increase (decrease) in accounts payable and accrued expenses	(411)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>73,091</u></b>

**INVESTING ACTIVITIES**

Purchase of property and equipment	<u>(16,581)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b><u>(16,581)</u></b>

**FINANCING ACTIVITIES**

None	<u>-</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b><u>-</u></b>

<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>56,510</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b><u>111,702</u></b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b><u>\$168,212</u></b>

The accompanying notes are an integral part of these financial statements.

**CENTRAL FLORIDA SPEECH AND HEARING CENTER, INC.**

**A.C.E. CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Central Florida Speech and Hearing Center, Inc. (the "Center") established a charter school program in August of 2000. The A.C.E. Charter School (the "School") is a special education preschool for children ages 3-5 that have speech, language, and/or hearing difficulties. The School operates under a charter approved by its sponsor, the Polk County School Board. The School is funded through the Florida Department of Education through the Polk County School District and private contributions. The governing body of the A.C.E. Charter School is a separate and distinct Board of Directors which is composed of a minimum of 7 members. The President of Central Florida Speech and Hearing, Inc. is the President/Principal of the A.C.E. Charter School. These financial statements have been prepared for the purpose of complying with the Rules of the Auditor General of the State of Florida for Charter Schools and are not intended to be a complete presentation of Central Florida Speech and Hearing Center, Inc.'s financial statements.

The School reported, on average, an enrollment of 17.3333% unweighted full-time students for the 2006-07 fiscal year. The School is accredited by the Southern Association of Colleges and Schools (SACS).

The financial statements of Central Florida Speech and Hearing Center, Inc.'s A.C.E. Charter School have been prepared on the accrual basis of accounting and in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Audits of Not-for-Profit Organizations*. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Unrestricted Net Assets**

Unrestricted net assets consist of resources available for the various programs and administration of the School which have not been restricted by a donor or other outside party.

Net investment in property and equipment, if any, represents amounts expended for property and equipment used in the operations of the School, net of amounts borrowed, if any.

Undesignated net assets are available for the various programs and administration of the School.

**CENTRAL FLORIDA SPEECH AND HEARING CENTER, INC.**

**A.C.E. CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**JUNE 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of donor restricted contributions. Amounts restricted by the donor, grantor or other outside party for a particular purpose are deemed to be earned and are reported as revenue when received and such unexpended amounts are reported as temporarily restricted net assets at year end.

When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions". The School does not imply a time restriction on gifts of long-lived assets.

**Permanently Restricted Net Assets**

Permanently restricted net assets consist of donor restricted contributions which are required to be held in perpetuity and income be used as designated by the donor. Currently, the income is being reinvested as an increase in the permanently restricted endowment.

There are no permanently restricted net assets at June 30, 2007.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Financial Instruments and Credit Risk**

The carrying amounts approximate fair value based on quoted market prices or discounted cash flow analysis for cash equivalents and other financial instruments. The School is subject to some credit risk through short-term cash investments which are placed with high credit quality financial institutions. The School had \$56,604 in excess of federally insured or other insured limits at June 30, 2007.

**CENTRAL FLORIDA SPEECH AND HEARING CENTER, INC.**

**A.C.E. CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**JUNE 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Income Taxes**

The Center is a not-for-profit organization that is exempt from income taxes under the provisions of Section 501(c)3 of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. The Center has also been classified as an entity that is not a private foundation with the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

**Cash and Cash Equivalents**

The School considers all highly liquid investments with a maturity of nine months or less when purchased to be cash equivalents. Interest received on cash equivalents was \$5,781 for the year ended June 30, 2007.

**Property and Equipment**

The School follows the practice of capitalizing all expenditures in excess of \$500 for property and equipment, at cost; the fair market value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

**NOTE B - ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts due A.C.E. Charter School for capital outlay and reimburseable costs. Management has determined that the receivable is fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2007.

	<u>2007</u>
Polk County School District	\$1,145
Central Florida Speech & Hearing Center, Inc. (related party – parent division)	<u>6,967</u>
Total	<u>\$8,112</u>

**CENTRAL FLORIDA SPEECH AND HEARING CENTER, INC.**

**A.C.E. CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**JUNE 30, 2007**

**NOTE C - PROPERTY AND EQUIPMENT**

Property and equipment, at cost, consisted of the following at June 30, 2007:

	<u>Balance 6/30/06</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance 6/30/07</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 9,670	\$ -	\$ -	\$ 9,670	10 years
Equipment	<u>30,354</u>	<u>16,581</u>	<u>-</u>	<u>46,935</u>	5 – 10 years
Total costs	40,024	16,581	-	56,605	
Less accumulated depreciation	<u>(24,403)</u>	<u>(5,421)</u>	<u>-</u>	<u>(29,824)</u>	
Total	<u>\$ 15,621</u>	<u>\$11,160</u>	<u>\$ -</u>	<u>\$26,781</u>	

Depreciation expense was \$5,421 for the year ended June 30, 2007.

The book value of property and equipment restricted by the Charter School grant was \$11,115 at June 30, 2007 (See Notes G and H).

**NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES**

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

**NOTE E - RETIREMENT PLAN AND COMPENSATED ABSENCES**

The Center changed to a 401(k) retirement program effective July 1, 2000. All employees with over a year of service are eligible to participate in the program. The Center can elect to match an employee contribution. The School has no liability for the administration or payment of benefits of the plan and, accordingly, the present value of the related vested benefits is not reflected in these financial statements. Contributions to the plan by the School as of the year ended June 30, 2007 were \$526.

**CENTRAL FLORIDA SPEECH AND HEARING CENTER, INC.**

**A.C.E. CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**JUNE 30, 2007**

**NOTE E - RETIREMENT PLAN AND COMPENSATED ABSENCES - CONTINUED**

No amounts were owed to School employees under the Center's Earned Time Off (ETO) policy. The Center's policy is for the employee to utilize leave, donate hours to their sick bank, and/or cash out any remaining accrued balances within 90 days after the fiscal year end.

**NOTE F - CONTRIBUTED MATERIALS, EQUIPMENT AND SERVICES**

A number of other volunteers have donated significant amounts of their time to the School's administrative and program services, and in its fund raising campaigns during the year; however, these donated services are not reflected in the financial statements since these services are not professional in nature, and, as such, do not meet the criteria for recognition as contributed services.

Contributed equipment and services, if any, are recorded in the accompanying financial statements at their fair value at the date of receipt.

**NOTE G - GRANTS, GOVERNMENT**

The Center has a contract with the Polk County School Board to operate a charter school. The current charter is effective until June 30, 2010, and may be renewed every 15 years by mutual agreement between the School and the District. 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.

Revenues for current operations are received primarily from the Polk County School District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program.

**CENTRAL FLORIDA SPEECH AND HEARING CENTER, INC.**

**A.C.E. CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**JUNE 30, 2007**

**NOTE G - GRANTS, GOVERNMENT - CONTINUED**

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 full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)(2), Florida Statutes. For the 2006-2007 school year the school reported 17.3333% unweighted FTE and 21.9867% weighted FTE. Weighted funding represented approximately 21.1643% of the total funding.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- attendance and membership documentation (Rule 6A-1.044, FAC)
- teacher certificates and other certification documentation (Rule 6A-1.0503, FAC)
- documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC)
- procedural safeguards for weighted programs (Rule 6A-6.03411, FAC)
- evaluation and planning documents for weighted programs (Sections 1011.62(1)(e), FS, and Rule 6A-6.03411, FAC)

The School receives State awards for capital outlay expenditures. The state grant award is based on an application submitted and approved by the state. Since a claim to the grant proceeds is based upon incurring eligible expenditures, revenue is temporarily restricted and once eligible expenditures have been made, the revenue is reclassified to unrestricted revenue and is reported in the statement of activities as "net assets released from restrictions".

The School also receives Federal IDEA grant awards for the enhancement of various education programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. Since a claim to the grant proceeds is based upon incurring eligible expenditures, revenue is temporarily restricted and once eligible expenditures have been made, the revenue is reclassified to unrestricted revenue and is reported in the statement of activities as "net assets released from restrictions".

**CENTRAL FLORIDA SPEECH AND HEARING CENTER, INC.**

**A.C.E. CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**JUNE 30, 2007**

**NOTE G - GRANTS, GOVERNMENT - CONTINUED**

Under the terms of the grant, any property and equipment purchased with Polk County School District funds must be returned to the District if the contract for the School is terminated. (See Notes C and H)

The School contract is on a June 30<sup>th</sup> year-end. A summary of funds earned during the year ended June 30, 2007 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2007</u>
Polk County School District	<u>\$180,574</u>	<u>\$46,025</u>	<u>\$226,599</u>
Total	<u>\$180,574</u>	<u>\$46,025</u>	<u>\$226,599</u>

**NOTE H - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following uses as of June 30, 2007:

	<u>2007</u>
Net investment in property and equipment (net of amounts borrowed, if any) – use restricted by Charter School grant (See Notes C and G)	<u>\$11,115</u>
Total	<u>\$11,115</u>

**NOTE I - RISK MANAGEMENT - COMMERCIALY PURCHASED INSURANCE**

Workers' compensation, motor vehicle liability, general liability and health and hospitalization coverage are being provided through the organization's purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years. The School is named as an additional insured party on the organization's insurance policies.

## SUPPLEMENTAL INFORMATION

**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**

Board of Directors  
**Central Florida Speech and  
Hearing Center, Inc.**  
**A.C.E. Charter School**  
Lakeland, Florida

We have audited the financial statements of **Central Florida Speech and Hearing Center, Inc.'s A.C.E. Charter School** (the "School") as of and for the year ended June 30, 2007, and have issued our report thereon dated August 8, 2007. 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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of Charter School audits performed in the State of Florida.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize,



#### Internal Control Over Financial Reporting - Continued

record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as item 2007-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

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 that none of the significant deficiencies described above is a material weakness.

#### 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 statements 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 described in the accompanying schedule of findings and responses. We did not audit the School's response and, accordingly, we express no opinion on it.



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*  
Page Three

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This report is intended solely for the information and use of management, the Board of Directors, the Polk County School District and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Baylin & Company PA*

**Certified Public Accountants**

August 8, 2007



CENTRAL FLORIDA SPEECH AND HEARING CENTER, INC.

A.C.E. CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
2007-1	
Proper segregation of all internal control functions is not possible due to limitations inherent to the size of <b>Central Florida Speech and Hearing Center, Inc.'s A.C.E. Charter School's</b> paid staff; however, continuous monitoring and oversight is performed by the School's Board of Directors. Audit work was extended due to these limitations and nothing came to our attention that caused us to believe that the basic financial statements were not free of material misstatements.	None

**CENTRAL FLORIDA SPEECH &  
HEARING CENTER, INC.**

**Report to the Board of Directors**

**JUNE 30, 2007**

Board of Directors  
**Central Florida Speech & Hearing Center, Inc.**  
Lakeland, Florida

We are pleased to report that we have completed our engagement to examine the financial statements of **Central Florida Speech & Hearing Center, Inc.** (the "Center") and have issued our report thereon, dated August 15, 2007.

Our report has been completed without qualification or exception.

Baylis & Company PA is privileged to have the opportunity to assist the Center in the important responsibility of reporting the financial results of its operations for the recent fiscal period. The information contained in the financial reports will assist the Board of Directors as it monitors and plans the financial activities of the Center.

This report provides the members of the Board of Directors further insight into our audit processes and conclusions and is intended solely for its use internally.

Finally, we are proud of our working relationship with the Center and appreciate the cooperation we received from the staff in the performance of this engagement and look forward to continuing our professional relationship in the future.

As always, we stand ready to answer any questions you may have regarding our report or any other matter.

*Baylis & Company PA*

**Certified Public Accountants**

August 15, 2007



## **CENTRAL FLORIDA SPEECH & HEARING CENTER, INC.**

### **Report to the Board of Directors For the Year Ended June 30, 2007**

#### **SCOPE OF EXAMINATION**

We have audited the financial statements of **Central Florida Speech & Hearing Center, Inc.** (the "Center") whose headquarters is located in Lakeland, Florida, as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated August 15, 2007. We have also issued a special report on the A.C.E. Charter School's (the "School") financial statements dated August 15, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and our report was rendered without qualification.

Management cooperated fully with our audit team and we had no disagreements concerning accounting or auditing procedures. We were provided access to all records, documents and other supporting data that we requested, and no restrictions were imposed on the method or extent of our work.

#### **REQUIRED COMMENTS/DISCLOSURES**

Statement on Auditing Standards No. 112, "Communicating Internal Control Related Matters Identified in an Audit", (SAS 112) requires the auditor to determine that certain matters are communicated to the audit committee or its equivalent. Other comments are for the general use and consideration of the Board of Directors.

#### ***Auditor's Responsibility Under Generally Accepted Auditing Standards***

We are responsible for performing an audit in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable, not absolute, assurance about whether the financial statements are free of material misstatement. An audit of the financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. An audit of financial statements, however, does not include a detail audit of transactions as would be necessary to disclose defalcations or other misappropriations that do not cause a material misstatement of the financial statements.

#### ***Significant Accounting Policies***

There have not been any initial selections of, or changes in, significant accounting policies during the year. In addition, there have not been any controversial or emerging areas for which there is a lack of authoritative guidance or consensus for which the significant accounting policy selected would have a significant effect. The significant accounting policies of the Center are discussed in the footnotes to the financial statements.

#### ***Management Judgment and Accounting Estimates***

Estimates are an integral part of preparing the financial statements. These estimates are based upon management's current judgment, which include the knowledge and experience about past and current events. A portion of our audit effort surrounded the evaluation of management estimates in the areas of accounts receivable allowances for doubtful accounts. The results of our testing indicated that these reserves appeared reasonable, in relation to the financial statements taken as a whole.



**CENTRAL FLORIDA SPEECH & HEARING CENTER, INC.**

**Report to the Board of Directors  
For the Year Ended June 30, 2007**

***Significant Audit Adjustments***

There were no significant audit adjustments made to the financial statements of the Center for the year ended June 30, 2007 as a result of our audit.

***Disagreements with Management or Difficulties Encountered in Performing the Audit***

Management cooperated fully with our audit team, and we had no disagreements concerning accounting matters or difficulties in dealing with management relating to the performance of auditing procedures.

***Consultation with Other Independent Accountants***

We are not aware that management consulted with other accountants regarding accounting, auditing or reporting issues relative to our audit of the June 30, 2007 financial statements of the Center.

***Major Issues Discussed with Management Prior to Engagement as Independent Accountants***

No major accounting or reporting issues were discussed with management prior to our engagement as independent accountants for the Center for the year ended June 30, 2007.

***Significant Deficiencies in the Design or Operation of the Control Structure***

Our review and evaluation of the internal control over financial reporting disclosed no condition that we believe to be a material weakness.

***Difficulties Encountered in Performing the Audit***

We did not encounter any difficulties in performing the audit. Management provided adequate and timely access to all necessary audit information.

***Consideration of Fraud***

Statement on Auditing Standards No.99, "Consideration of Fraud in a Financial Statement Audit," (SAS 99) requires the auditor to communicate to the audit committee any fraud involving senior management and fraud that causes a material misstatement of the financial statements. SAS 99 clarifies the auditor's responsibility for detection of fraud, which has been expanded in description to include both fraudulent financial reporting and misappropriations.

We did not note any incidence of fraud during the course of our audit. Further, we did not note any fraud risk factors which would have continuing control implications.



## CENTRAL FLORIDA SPEECH & HEARING CENTER, INC.

### **Report to the Board of Directors For the Year Ended June 30, 2007**

#### ***Illegal Acts***

Statement on Auditing Standards No. 54, "Illegal Acts by Clients," (SAS 54) requires the auditor to communicate to the audit committee any illegal acts involving senior management that come to the auditor's attention and to obtain assurance that the audit committee is adequately informed about any other illegal acts that come to the auditor's attention unless clearly inconsequential. Matters to be communicated in accordance with SAS 54 are as follows:

We did not note any illegal acts during the course of our audit.

#### ***Consulting Services***

Independent accounting and auditing firms often gain substantial insight into the "best practices" of many organizations which they are privileged to provide professional services. To the extent these practices are general and non-proprietary in nature, they apply to all types of organizations. Business schools, trade associations and leadership groups often share this information in a continuous effort to improve and develop organizations.

These insights can be of substantial benefit to organizations seeking to improve their operations or financial results, particularly if they come from trusted advisors, such as independent certified public accountants.

During the course of the engagement period, management may engage our firm to perform consulting services which are beyond the scope of the normal audit engagement.

We do not consider such services to be significant in scope nor to impair our independence or objectivity.

During the period ended June 30, 2007, consulting services performed were less than \$2,200.

#### **AUDITOR GENERAL REQUIRED COMMENTS/DISCLOSURES**

The Rules of the Auditor General (Section 10.854(1)(d)7.) also require that the name or official title and legal authority for the charter school be disclosed in the management letter, unless disclosed in the notes to the financial statements. The **Central Florida Speech & Hearing Center, Inc.** was established as a not-for-profit organization in 1960 and continues to provide comprehensive quality services to individuals with speech, language or hearing disorders under its mission statement through its existing programs and a charter school. A.C.E. Charter School was established in 2000 by contract with the Polk County School District as allowed by act of the Florida State Legislature, Chapter 77-588.

The Rules of the Auditor General (Section 10.854 (1)(d)1.) require that we comment as to whether or not inaccuracies, shortages, defalcations, fraud and/or other violations of laws, regulations, and contractual provision reported in the preceding annual financial audit report have been corrected. The items disclosed in the preceding annual report have been corrected (except for those reported below under the heading Prior Year Irregularities).

The Rules of the Auditor General (Section 10.854(1)(d)2.) require that we comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the preceding annual financial audit report have been corrected (except as noted below under the heading Prior Year Recommendations).



**CENTRAL FLORIDA SPEECH & HEARING CENTER, INC.**

**Report to the Board of Directors  
For the Year Ended June 30, 2007**

**AUDITOR GENERAL REQUIRED COMMENTS/DISCLOSURES - CONTINUED**

As required by the Rules of the Auditor General (Section 10.854(1)(d)2, the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency". In connection with our audit, nothing came to our attention that caused us to believe that the School is in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

The Rules of the Auditor General (Sections 10.854(1)(d)3.,4.,5.,6.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on the internal control and compliance:

Recommendations to improve financial management, accounting procedures, and internal controls;

Violations of laws, rules, regulations, and contractual provisions that have occurred or are likely to have occurred; were discovered within the scope of the financial audit; and may or may not materially affected the financial statements;

Illegal or improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements;

Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements);

Failures to properly record financial transactions;

Other inaccuracies, irregularities, shortages, and defalcations, and instances of fraud and fraud related risk factors representing reportable conditions discovered by, or that comes to the attention of, the auditor.

Our audit disclosed the following matters required to be disclosed by Rules of Auditor General (Section 10.854(1)(d)3.,4.,5.,6.):

**PRIOR YEAR IRREGULARITIES**

None

**CURRENT YEAR IRREGULARITIES**

None

**MANAGEMENT LETTER COMMENTS**

In planning and performing our audit of the financial statements of **Central Florida Speech & Hearing Center, Inc.** for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.



**CENTRAL FLORIDA SPEECH & HEARING CENTER, INC.**

**Report to the Board of Directors  
For the Year Ended June 30, 2007**

**MANAGEMENT LETTER COMMENTS - CONTINUED**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

**PRIOR YEAR RECOMMENDATIONS (current year comments in *italics*)**

The following reportable condition involves matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Center's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Internal Control**

The existence of a sound internal control structure suggests a proper segregation of duties and responsibilities among accounting staff. Staff size permitting, the purpose of the segregation is to preclude instances where employees have full responsibility for all of the tasks associated with a particular function (i.e.: cash receipts or cash disbursements). The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation suggests that the Board continue to remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

*The Board continues to monitor the accounting activity on a regular basis.*

An optimum segregation of duties is not always possible in organizations or environments with a limited number of personnel, as the costs of maintaining an adequate system of internal accounting controls should not exceed the benefits to be derived. Our recommendations and comments should be considered by management in light of the environment and the expected costs and benefits associated with the implementation of any procedure or control.

In addition to the significant deficiency set forth above, we noted certain items of a general nature regarding operational matters that are presented for your consideration.



**CENTRAL FLORIDA SPEECH & HEARING CENTER, INC.**  
**Report to the Board of Directors**  
**For the Year Ended June 30, 2007**

**Cash**

During the current year, we noted an immaterial difference between the bank reconciliation and the general ledger amounts. Care should be taken to assure that the general ledger coincides with the reconciliation worksheets.

*During the current year, no exceptions noted.*

**Cash Receipts**

The Internal Revenue Service requires that, "charitable contributions of \$250 or more must be substantiated by a contemporaneous written acknowledgment from the Center". Generally, the acknowledgment must include the amount of cash contributed or a description of any non-cash contributions, together with a description and good faith estimate of the value of goods or services the donor received in return for the contribution. If no goods or services were received, a statement stating that "no goods or services were received in exchange for the contribution" should also be written on the receipt/thank you letter. "Quid pro quo contributions in excess of \$75 should contain a contemporaneous written acknowledgment documenting the total amount received, a good faith estimated value of the goods or services the donor received, and the amount considered to be a deductible charitable contribution." A quid pro quo contribution is a payment that is given both as a contribution and as a payment for goods or services provided by the Center. For example, a donor gives a charity \$100 in consideration for a concert ticket valued at \$40. In this example, \$60 would be the deductible charitable contribution. The Center should provide written acknowledgment stating amount received, good faith estimate of goods or services provided to the donor, and the amount considered as a deductible charitable contribution. This information should be provided on all receipts and thank you letters issued by the Center.

Also, as required by Florida Statute 496.411, the Center "must conspicuously display in capital letters the following statement in every printed solicitation, written confirmation, receipt or reminder of contribution":

"A COPY OF THE OFFICIAL REGISTRATION AND FINANCIAL  
INFORMATION MAY BE OBTAINED FROM THE DIVISION OF  
CONSUMER SERVICES BY CALLING TOLL-FREE 1-800-435-7352,  
WITHIN THE STATE. REGISTRATION DOES NOT IMPLY  
ENDORSEMENT, APPROVAL OR RECOMMENDATION BY THE  
STATE."

*Improvement was noted and we would like to encourage management's continued involvement to help monitor that the policies and procedures continue to be followed.*

**Other**

It was noted during the current year that the insurance policies and vehicle titles could not be readily located and may have resulted from a change in personnel; however, policies and procedures regarding filing and storage of accounting documents should be reviewed and modified, if necessary, in order to assure information is readily obtainable by staff and management.

*During the current year, no exceptions noted.*



**CENTRAL FLORIDA SPEECH & HEARING CENTER, INC.**  
**Report to the Board of Directors**  
**For the Year Ended June 30, 2007**

**Charter School**

As of April 2006's site inspection report, the School remitted all reports; however, one was still not filed on a timely basis. However, by the end of June 2006, the School had remitted all required reports. The School should review their current policies and procedures and make changes, if necessary, to assure timely remittance.

During the current year, no exceptions noted.

**CURRENT YEAR RECOMMENDATIONS**

**Payroll**

It is the Center's policy that all employees have background checks. It was noted during our testwork that two Center employees (out of nine employees tested) did not have background checks in their files. In addition, due to the location of ACE Charter School on the Center's property, the Center should review all current policies and modify them as necessary, to assure compliance with the Jessica Lunsford Act.

**Accounts Receivable/Accounts Payable**

We noted that the Center had been over-reimbursed by ACE Charter School. We noted errors in each monthly reimbursement (some were over and some were underpaid). Procedures should be reviewed, and modified as necessary, to assure that the computations are reviewed for accuracy and the reimbursements are made in the correct amounts.

**General Ledger**

During the current year we noted that the Center is periodically reconciling various accounts, but not adjusting the general ledger so that it ties to the reconciliations (i.e. inventory and accrued earned time off). We recommend that the Center periodically adjust account balances to the reconciled schedules.

**Summary**

Our comments and/or recommendations have been discussed with the appropriate members of management and we would be pleased to review these matters in further detail at your convenience. This report is intended solely for the information and use of the Board of Directors, management, Polk County District School Board, the State of Florida's Office of the Auditor General, and others within the Center and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the staff and management for their support and assistance during our engagement and we look forward to continuing our working relationship in the future.

