

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

**SPECIAL REPORT ON**

**FINANCIAL STATEMENTS**

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

**FOR THE YEAR ENDED JUNE 30, 2009**

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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, 2009, 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, 2009, 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 11, 2009, 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  
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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 11, 2009



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

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

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2009**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$166,250
Accounts receivable, Note B	668
Prepaid expenses	<u>4,055</u>
Total current assets	170,973

<b>PROPERTY AND EQUIPMENT</b> , net, Notes A and C	<u>18,197</u>
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<b>TOTAL ASSETS</b>	<b><u>\$189,170</u></b>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 6,380
Due to related party - parent division	<u>11,676</u>
Total current liabilities	<u>18,056</u>

Total liabilities	18,056
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**NET ASSETS**

Unrestricted, Note A:	
Undesignated	152,917
Net investment in property and equipment	<u>10,684</u>
Total unrestricted net assets	<u>163,601</u>

Temporarily restricted, Notes A and H	7,513
Permanently restricted, Note A	<u>-</u>

Total restricted net assets	<u>7,513</u>
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Total net assets	<u>171,114</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$189,170</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, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 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	\$ -	\$ 10,275	\$ -	\$ 10,275
<b>TOTAL FEDERAL ASSISTANCE</b>	<u>-</u>	<u>10,275</u>	<u>-</u>	<u>10,275</u>
<b>STATE ASSISTANCE:</b>				
<b>FLORIDA DEPARTMENT OF EDUCATION PASSED THROUGH POLK COUNTY SCHOOL BOARD</b>				
Charter School Program (FEFP)	154,684	-	-	154,684
Charter School Program (Lottery Funds)	437	-	-	437
Charter School Program (SAI Categoricals)	-	4,724	-	4,724
Charter School Program (Instructional materials)	-	1,671	-	1,671
Charter School Program (Class size reduction)	-	21,359	-	21,359
Charter School Program (Teacher lead)	-	205	-	205
Charter School Program (Performance pay)	-	-	-	-
Charter School Program (Capital outlay)	-	9,769	-	9,769
<b>TOTAL STATE ASSISTANCE</b>	<u>155,121</u>	<u>37,728</u>	<u>-</u>	<u>192,849</u>
<b>OTHER SUPPORT AND REVENUE:</b>				
Contributions	140	-	-	140
Miscellaneous income	6,670	-	-	6,670
Interest income	884	-	-	884
Net assets released from restriction	50,520	(50,520)	-	-
<b>TOTAL OTHER SUPPORT AND REVENUE</b>	<u>58,214</u>	<u>(50,520)</u>	<u>-</u>	<u>7,694</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>213,335</u>	<u>(2,517)</u>	<u>-</u>	<u>210,818</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 ACTIVITIES - CONTINUED**

**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>
<b>EXCEPTIONAL STUDENTS PROGRAM</b>				
<b>DIRECT COSTS:</b>				
Salaries and benefits, contract	\$119,693	\$ -	\$ -	\$119,693
Purchased services	4,538	-	-	4,538
Materials and supplies	8,199	-	-	8,199
Facilities rental	18,000	-	-	18,000
Transportation costs	1,374	-	-	1,374
Depreciation	5,009	-	-	5,009
<b>TOTAL DIRECT COSTS</b>	<b>156,813</b>	<b>-</b>	<b>-</b>	<b>156,813</b>
<b>INDIRECT COSTS:</b>				
Instructional staff training	1,205	-	-	1,205
General administration	13,972	-	-	13,972
School administration	21,015	-	-	21,015
Fiscal services	17,453	-	-	17,453
Administrative fee paid to District	9,144	-	-	9,144
Operation of plant	10,005	-	-	10,005
<b>TOTAL INDIRECT COSTS</b>	<b>72,794</b>	<b>-</b>	<b>-</b>	<b>72,794</b>
<b>TOTAL COSTS</b>	<b>229,607</b>	<b>-</b>	<b>-</b>	<b>229,607</b>
<b>TOTAL SUPPORT AND REVENUE OVER (UNDER) COSTS</b>	<b>\$(16,272)</b>	<b>\$ (2,517)</b>	<b>\$ -</b>	<b>\$(18,789)</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>
<b>BALANCE, June 30, 2008</b>	<b>\$179,873</b>	<b>\$10,030</b>	<b>\$ -</b>	<b>\$189,903</b>
Support and revenue over (under) costs	<u>(16,272)</u>	<u>(2,517)</u>	<u>-</u>	<u>(18,789)</u>
<b>BALANCE, JUNE 30, 2009</b>	<b><u>\$163,601</u></b>	<b><u>\$ 7,513</u></b>	<b><u>\$ -</u></b>	<b><u>\$171,114</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**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2009**

**OPERATING ACTIVITIES**

Support and revenue over (under) costs	\$(18,789)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:	
Depreciation	5,009
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	148
(Increase) decrease in prepaid expenses	(1,608)
Increase (decrease) in accounts payable, accrued expenses and due to related party	<u>7,444</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>(7,796)</u></b>

**INVESTING ACTIVITIES**

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

**FINANCING ACTIVITIES**

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

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** **(7,796)**

**CASH AND CASH EQUIVALENTS, beginning of year** **174,046**

**CASH AND CASH EQUIVALENTS, end of year** **\$166,250**

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, 2009**

**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 22.5267 unweighted full-time students for the 2008-09 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, 2009**

**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 from the assets held must be used as designated by the donor.

There are no permanently restricted net assets at June 30, 2009.

**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 \$-0- in excess of federally insured or other insured limits at June 30, 2009.

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

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**JUNE 30, 2009**

**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 \$884 for the year ended June 30, 2009.

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 to A.C.E. Charter School for capital outlay and reimbursable costs. Management has determined that the receivable is fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2009.

	<u>2009</u>
Polk County School District	<u>\$668</u>
Total	<u><u>\$668</u></u>

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

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**JUNE 30, 2009**

**NOTE C - PROPERTY AND EQUIPMENT**

Property and equipment, at cost, consisted of the following at June 30, 2009:

	<u>Balance 6/30/08</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance 6/30/09</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 9,670	\$ -	\$ -	\$ 9,670	10 years
Equipment	<u>48,519</u>	<u>-</u>	<u>-</u>	<u>48,519</u>	5 – 10 years
Total costs	58,189	-	-	58,189	
Less accumulated depreciation	<u>(34,983)</u>	<u>(5,009)</u>	<u>-</u>	<u>(39,992)</u>	
Total	<u>\$ 23,206</u>	<u>\$(5,009)</u>	<u>\$ -</u>	<u>\$ 18,197</u>	

Depreciation expense was \$5,009 for the year ended June 30, 2009.

The book value of property and equipment restricted by the Charter School grant was \$7,513 at June 30, 2009 (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, 2009 were \$1,383.

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

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**JUNE 30, 2009**

**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, 2009**

**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 2008-2009 school year the school reported 18.0000 unweighted FTE and 22.5300 weighted FTE. Weighted funding represented approximately 20.11% 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, 2009**

**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, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>
Polk County School District	<u>\$155,121</u>	<u>\$48,003</u>	<u>\$203,124</u>
Total	<u><u>\$155,121</u></u>	<u><u>\$48,003</u></u>	<u><u>\$203,124</u></u>

**NOTE H - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following uses as of June 30, 2009:

	<u>2009</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>\$7,513</u>
Total	<u><u>\$7,513</u></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, 2009, and have issued our report thereon dated August 11, 2009. 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 2009-1.

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.

*Baylor & Company PA*

**Certified Public Accountants**

August 11, 2009



CENTRAL FLORIDA SPEECH AND HEARING CENTER, INC.

A.C.E. CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

Finding/Noncompliance

Questioned Costs

2009-1

Proper segregation of all internal control functions is not possible due to limitations inherent to the size of **Central Florida Speech and Hearing Center, Inc.'s A.C.E. Charter School's** 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, 2009**

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 11, 2009.

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 11, 2009



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

### **Report to the Board of Directors For the Year Ended June 30, 2009**

#### **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, 2009, and have issued our report thereon dated August 11, 2009. We have also issued a special report on the A.C.E. Charter School's (the "School") financial statements dated August 11, 2009.

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, 2009**

***Significant Audit Adjustments***

There were no significant audit adjustments made to the financial statements of the Center for the year ended June 30, 2009 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, 2009 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, 2009.

***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, 2009

#### ***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, 2009, consulting services performed were less than \$2,500.

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

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. One out of four recommendations made in the preceding annual financial audit report have been corrected.

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 **Central Florida Speech & Hearing Center, Inc.** did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. Our audit disclosed the following matters required to be disclosed by Rules of Auditor General (Section 10.854(1)(e)4.): None.



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

**Report to the Board of Directors  
For the Year Ended June 30, 2009**

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

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 are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. None.

The Rules of the Auditor General (Section 10.854(1)(e)6.) 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 School included the following component units: None.

Pursuant to Sections 10.854(1)(e)7.a. and 10.854(1)(e)7.b., Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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. Our audit disclosed the following matters required to be disclosed by Rules of Auditor General (Section 10.854(1)(e)7.a. and 10.854(1)(e)7.b.): None.

**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, 2009, 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.

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.



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

**Report to the Board of Directors  
For the Year Ended June 30, 2009**

**MANAGEMENT LETTER COMMENTS - CONTINUED**

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 significant deficiency 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.

**Accounts Receivable/Accounts Payable**

We noted errors in reimbursements to the Center by ACE Charter School (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.

*During the current year, we continued to note the same issue, although improvement has been made.*



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

**Report to the Board of Directors  
For the Year Ended June 30, 2009**

**PRIOR YEAR RECOMMENDATIONS (continued)**

**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.

*During the current year, we continued to note the same issue.*

**Contributions In-Kind**

We noted during the audit that the Center received and recorded an in-kind contribution during the current year of an HD TV. The Center did not retain documentation of the value from the third party donor. The Center should review current policies and procedures to ensure that donated values are documented from the third party donors.

*During the current year, no exceptions noted.*

**Property and Equipment**

We noted that the Center capitalized one asset that had a value that was below its current capitalization policy limits.

*During the current year, it was noted that the Center was using \$1,000 as a capitalization limit, however, there was no official policy change. We recommend that the policy should be reviewed, and modified, if necessary.*

**Cash Disbursements**

During our test work, we noted that not all invoices paid had documentation showing approval for payment (although implied approval is given when checks are signed) or account distribution. It was also noted that some invoices did not note that the invoice was clerically checked or that the merchandise had been received. We also noted that not all invoices were being defaced (i.e. invoices paid for with petty cash). The Center does utilize a block stamp and we would encourage the Center to make sure that each block stamp is completely filled out. The block stamp is used to standardize and document various cash disbursement policies and procedures. The block stamp should be used on each individual invoice paid and payment made only from invoices versus statements. If multiple invoices are being paid with one check, all the invoices should, at a minimum, be marked paid so that the invoice could not be resubmitted for payment.

*During the current year, we continued to note the same issue.*



**CENTRAL FLORIDA SPEECH & HEARING CENTER, INC.**  
**Report to the Board of Directors**  
**For the Year Ended June 30, 2009**

**CURRENT YEAR RECOMMENDATIONS**

**Cash Disbursements**

During our test work, we noted that many checks were signed by the two back-up check signers. The Center's policy states that it is preferable for the President and one back-up check signer to most checks. The Center's policy also states that the President is to review checks signed in her absence when she returns. We noted no indication of such review. We recommend that the Center review its policy to determine if this policy should be amended, or more consistently applied.

During our test work, we noted that significant numbers of invoices were not being paid within 30 days.

**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.





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Response to “Report to the Board of Directors” Management Letter  
from Edith L. Yates, CPA  
For the Year Ended June 30, 2009  
September 29, 2009

**AUDITOR GENERAL REQUIRED COMMENTS/DISCLOSURES:**

**I. Prior Year Irregularities:**

None

**II. Current Year Irregularities:**

None

**III. Prior Year Recommendations:**

**A. Internal Controls**

The auditor continues to recommend a sound internal control structure for proper segregation of duties and responsibilities among accounting staff, staff size permitting. The size of the Center's accounting staff is one individual and precludes certain internal controls that would be preferred if the accounting staff was large enough to provide optimum segregation of duties. The Board of Directors and specifically the Treasurer of the Board continues to monitor the accounting activities on a monthly basis.

**B. Accounts Receivable/Accounts Payable**

It was noted that the Center was over-reimbursed by A.C.E. Charter School. The over reimbursement was for depreciation. We understand that A.C.E. does not reimburse the Center for depreciation and the Center did reimburse A.C.E. in the month of September, 2007.

We will continue to review and modify our computations for accuracy and insure that any reimbursements are made in the correct amount..

### C. General Ledger

It was recommended that the Center periodically review the general ledger and adjust the account balance to the reconciled schedules. This will be done on a quarterly basis.

The Director of Accounting will periodically review the general ledger and will adjust the account balance to the reconciled schedules.

### D. Property & Equipment

It was noted that the Center capitalized one asset that had a value that was below the current capitalization policy limits.

The Center is using a \$1,000.00 as a capitalization limit, however, there was no official policy change. The Director of Finance will draft a policy change and have it approved by the Board of Directors.

### E. Cash Disbursements

During our test work, it was noted that some invoices paid had no documentation showing approval for payment (although implied approval is given when the checks are signed). It was also noted that the block stamp used by the Center was not completely filled out with each payment.

The Center double signs each check and, on occasion, those signatures are used as invoice approval as well. Receipt of goods or services are verified by the Director of Accounting and is implied by the Accountants approval under the computer input line on the block stamp. However, we continue to make every effort to designate approval in the block stamp, use the block stamp on every invoice, make payments from invoices, and mark invoices paid.

## IV. Current Year Recommendations:

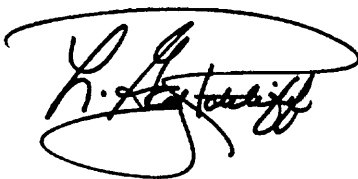
During our test work, we noted that many checks were signed by the two back-up check signers. The Center's policy states that it is preferable for the President and one back-up signer to sign most checks. The Center's policy also states that the President is to review checks signed in her absence when she returns. We noted no indication of such review. We recommend that the Center review its policy to determine if this policy should be amended, or more consistently applied.

The Director of Accounting will review this policy with the Management Team and will take any recommendations to the Finance Committee for their consideration to either amend or apply more consistently.

During our test work, we noted that significant numbers of invoices were not being paid within 30 days.

The President will review this policy with the Director of Accounting and insure that checks are paid more timely and, if at all possible, within the 30 days.

Submitted by,



L. Gay Ratcliff  
Central Florida Speech & Hearing Center President  
ACE Charter School Principal