

**FAU - TREASURE COAST UNIVERSITY SCHOOLS, INC. d/b/a
PALM POINTE EDUCATIONAL RESEARCH SCHOOL AT
TRADITION**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2016

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MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
FAU - Treasure Coast University Schools, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the FAU - Treasure Coast University Schools, Inc. (the "School") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors of
FAU - Treasure Coast University Schools, Inc.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2016, and the respective changes in financial position, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards* ("Uniform Guidance"). Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Directors of
FAU - Treasure Coast University Schools, Inc.

INDEPENDENT AUDITOR'S REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
May 17, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of FAU - Treasure Coast University Schools, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the year ended June 30, 2016. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School's total net position decreased compared to the prior year.
- For the year ended June 30, 2016, the School's expenses exceeded revenues by approximately \$280,000. This is a regression from the prior year, when expenses exceeded revenues by approximately \$260,000.
- Overall, revenues increased by approximately \$280,000, which was a 2% increase from the prior year.
- Total expenses increased by approximately \$300,000, which was a 2% increase from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the School:

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

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

This document also includes the following information required by the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards* ("Uniform Guidance"): Schedule of Expenditures of Federal Awards, Independent Auditor's Reports on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance and the Schedule of Findings and Questioned Costs. In addition, it includes the Independent Auditor's 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*.

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS (*Continued*)

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

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

FUND FINANCIAL STATEMENTS

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

The School has one type of fund:

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

NET POSITION

The School's combined net position decreased from fiscal year 2015 to 2016 - see table below.

| | <u>Governmental Activities</u> | | |
|-------------------------------|--------------------------------|---------------------|--------------------------------|
| | <u>2015</u> | <u>2016</u> | <u>Increase (Decrease)</u> |
| Current and other assets | <u>\$ 1,816,888</u> | <u>\$ 1,487,370</u> | <u>(18)%</u> |
| Total assets | <u>1,816,888</u> | <u>1,487,370</u> | <u>(18)%</u> |
| Current and other liabilities | <u>368,443</u> | <u>319,800</u> | <u>(13)%</u> |
| Total liabilities | <u>368,443</u> | <u>319,800</u> | <u>(13)%</u> |
| Net Position: | | | |
| Unrestricted | <u>1,448,445</u> | <u>1,167,570</u> | <u>(19)%</u> |
| Total net position | <u>\$ 1,448,445</u> | <u>\$ 1,167,570</u> | <u>(19)%</u> |

The decrease in net position of approximately \$280,000 is not attributable to any specific activity.

NET POSITION *(Continued)*

The School's total revenues increased by approximately 2% to \$12,130,738, and the total cost of all programs and services increased by approximately 2% to \$12,411,613 - see table below.

| | <u>Governmental Activities</u> | | Increase (Decrease) |
|---|--------------------------------|---------------------|------------------------|
| | <u>2015</u> | <u>2016</u> | |
| Revenues: | | | |
| Federal sources | \$ 836,023 | \$ 807,484 | -3% |
| State and local sources | 10,735,995 | 10,979,971 | 2% |
| Contributions and other revenue | <u>277,228</u> | <u>343,283</u> | 24% |
| Total Revenues | 11,849,246 | 12,130,738 | 2% |
| Expenses: | | | |
| Instruction | 6,162,713 | 6,102,213 | -1% |
| Instructional support services | 470,704 | 491,395 | 4% |
| Instructional media | 130,950 | 137,743 | 5% |
| Other instruction | 18,492 | 2,458 | -87% |
| Instruction and curriculum development | 84,767 | 102,466 | 21% |
| Instructional staff training | 137,456 | 235,753 | 72% |
| Instructional-related technology | 7,257 | 7,748 | 7% |
| Board | 775 | - | -100% |
| General administration | 275,010 | 275,660 | 0% |
| School administration | 673,268 | 693,399 | 3% |
| Facilities acquisition and construction | 1,717,530 | 1,901,141 | 11% |
| Fiscal services | 56,488 | 62,422 | 11% |
| Food services | 314,134 | 305,470 | -3% |
| Central services | 89,066 | 104,508 | 17% |
| Pupil transportation | 681,181 | 753,568 | 11% |
| Operation of plant | 794,301 | 764,087 | -4% |
| Maintenance of plant | 101,870 | 39,448 | -61% |
| Administrative technology services | 121,197 | 128,491 | 6% |
| Community services | <u>271,757</u> | <u>303,643</u> | 12% |
| Total Expenses | <u>12,108,916</u> | <u>12,411,613</u> | 2% |
| Change in net position | <u>\$ (259,670)</u> | <u>\$ (280,875)</u> | -8% |

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund balance of approximately \$1,170,000, which was approximately \$280,000 less than that in prior year.

General and Special Revenue Fund Budgetary Highlights

For the year ended June 30, 2016, actual general fund revenues were approximately \$10,100,000, which were 3% over the budgeted amounts.

Actual general fund expenditures were approximately \$9,700,000, or approximately 5% below the budgeted amounts.

For the year ended June 30, 2016, actual special revenue fund revenues and expenditures were approximately \$810,000, which were 2% under the budgeted amounts.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

For the fiscal year ending June 30, 2017, the amount available for appropriation in the general fund totals \$10,090,000, which almost equals the actual 2016 general fund revenue of approximately \$10,100,000.

For the fiscal year ending June 30, 2017, the budgeted general fund expenditures increased to \$10,610,000, a 9% increase from the actual 2016 general fund expenditures of approximately \$9,700,000. The School has added no major new programs to the fiscal 2017 budget.

In fiscal year 2017, the School is expected to receive \$991,000 in Public Education Capital Outlay funds and approximately \$398,000 in Charter School Capital Outlay funds, totaling \$1,389,000 for the capital projects fund. The sublease payments will be approximately \$1,505,000, resulting in a projected shortfall for capital outlay of approximately \$116,000. The School Board of St. Lucie County is expected to fund the shortfall.

If these estimates are realized, the School's general fund balance is expected to decrease by the close of fiscal 2017.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

FAU-TREASURE COAST UNIVERSITY SCHOOLS, INC.

STATEMENT OF NET POSITION

June 30, 2016

| | <u>Governmental Activities</u> |
|---------------------------------------|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,357,064 |
| Accounts receivable | <u>130,306</u> |
| TOTAL ASSETS | 1,487,370 |
| LIABILITIES | |
| Accounts payable and accrued expenses | <u>319,800</u> |
| TOTAL LIABILITIES | 319,800 |
| NET POSITION | |
| Unrestricted | <u>1,167,570</u> |
| TOTAL NET POSITION | <u><u>\$ 1,167,570</u></u> |

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

FAU-TREASURE COAST UNIVERSITY SCHOOLS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|-------------------------|--|--|----------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Total |
| GOVERNMENTAL ACTIVITIES | | | | | | |
| Instruction | \$ 6,102,213 | \$ - | \$ 361,273 | \$ - | \$ (5,740,940) | \$ (5,740,940) |
| Instructional support services | 491,395 | - | 4,530 | - | (486,865) | (486,865) |
| Instructional media | 137,743 | - | - | - | (137,743) | (137,743) |
| Other instruction | 2,458 | - | - | - | (2,458) | (2,458) |
| Instruction and curriculum development | 102,466 | - | 58,985 | - | (43,481) | (43,481) |
| Instructional staff training | 235,753 | - | 77,226 | - | (158,527) | (158,527) |
| Instructional-related technology | 7,748 | - | - | - | (7,748) | (7,748) |
| General administration | 275,660 | - | - | - | (275,660) | (275,660) |
| School administration | 693,399 | - | - | - | (693,399) | (693,399) |
| Facilities acquisition and construction | 1,901,141 | - | - | - | (1,901,141) | (1,901,141) |
| Fiscal services | 62,422 | - | - | - | (62,422) | (62,422) |
| Food services | 305,470 | - | 305,470 | - | - | - |
| Central services | 104,508 | - | - | - | (104,508) | (104,508) |
| Pupil transportation | 753,568 | - | - | - | (753,568) | (753,568) |
| Operation of plant | 764,087 | - | - | - | (764,087) | (764,087) |
| Maintenance of plant | 39,448 | - | - | - | (39,448) | (39,448) |
| Administrative technology services | 128,491 | - | - | - | (128,491) | (128,491) |
| Community services | 303,643 | - | - | - | (303,643) | (303,643) |
| TOTAL PRIMARY GOVERNMENT | \$ 12,411,613 | \$ - | \$ 807,484 | \$ - | (11,604,129) | (11,604,129) |
| General revenues: | | | | | | |
| State and local sources | | | | | 10,979,971 | 10,979,971 |
| Contributions and other revenue | | | | | 343,283 | 343,283 |
| Total general revenues | | | | | 11,323,254 | 11,323,254 |
| Change in net position | | | | | (280,875) | (280,875) |
| Net position at beginning of year | | | | | 1,448,445 | 1,448,445 |
| Net position at end of year | | | | | \$ 1,167,570 | \$ 1,167,570 |

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

FAU-TREASURE COAST UNIVERSITY SCHOOLS, INC.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

ASSETS

| | General Fund | Special Revenue Fund | Capital Projects Fund | Total Governmental Funds |
|---------------------------|---------------------|----------------------------|-----------------------------|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Cash and cash equivalents | \$ 1,357,064 | \$ - | \$ - | \$ 1,357,064 |
| Accounts receivable | 130,306 | - | - | 130,306 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u>\$ 1,487,370</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,487,370</u> |

LIABILITIES AND FUND BALANCES

LIABILITIES

| | | | | |
|---------------------------------------|-------------------|-------------|-------------|-------------------|
| Accounts payable and accrued expenses | <u>\$ 319,800</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 319,800</u> |
| TOTAL LIABILITIES | 319,800 | - | - | 319,800 |

FUND BALANCES

| | | | | |
|---|---------------------|-------------------|-------------------|---------------------|
| Assigned to: | | | | |
| School-based student activity organizations | 53,571 | - | - | 53,571 |
| Unassigned | <u>1,113,999</u> | <u>-</u> | <u>-</u> | <u>1,113,999</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL FUND BALANCES | <u>1,167,570</u> | <u>-</u> | <u>-</u> | <u>1,167,570</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,487,370</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,487,370</u> |

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

FAU-TREASURE COAST UNIVERSITY SCHOOLS, INC.

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

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|-------------------------------------|--------------------------------------|---|
| REVENUES | | | | |
| Federal sources | \$ - | \$ 807,484 | \$ - | \$ 807,484 |
| State and local sources | 9,779,721 | - | 1,200,250 | 10,979,971 |
| Contributions and other revenue | <u>320,832</u> | <u>-</u> | <u>22,451</u> | <u>343,283</u> |
| TOTAL REVENUES | 10,100,553 | 807,484 | 1,222,701 | 12,130,738 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 5,740,940 | 361,273 | - | 6,102,213 |
| Instructional support services | 486,865 | 4,530 | - | 491,395 |
| Instructional media | 137,743 | - | - | 137,743 |
| Other instruction | 2,458 | - | - | 2,458 |
| Instruction and curriculum development | 43,481 | 58,985 | - | 102,466 |
| Instructional staff training | 158,527 | 77,226 | - | 235,753 |
| Instructional-related technology | 7,748 | - | - | 7,748 |
| Board | - | - | - | - |
| General administration | 275,660 | - | - | 275,660 |
| School administration | 693,399 | - | - | 693,399 |
| Facilities acquisition and construction | - | - | 1,901,141 | 1,901,141 |
| Fiscal services | 62,422 | - | - | 62,422 |
| Food services | - | 305,470 | - | 305,470 |
| Central services | 104,508 | - | - | 104,508 |
| Pupil transportation | 753,568 | - | - | 753,568 |
| Operation of plant | 764,087 | - | - | 764,087 |
| Maintenance of plant | 39,448 | - | - | 39,448 |
| Administrative technology services | 128,491 | - | - | 128,491 |
| Community services | <u>303,643</u> | <u>-</u> | <u>-</u> | <u>303,643</u> |
| TOTAL EXPENDITURES | <u>9,702,988</u> | <u>807,484</u> | <u>1,901,141</u> | <u>12,411,613</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | 397,565 | - | (678,440) | (280,875) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfer in/(out) | <u>(678,440)</u> | <u>-</u> | <u>678,440</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(678,440)</u> | <u>-</u> | <u>678,440</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCE | (280,875) | - | - | (280,875) |
| Fund balance at beginning of year | <u>1,448,445</u> | <u>-</u> | <u>-</u> | <u>1,448,445</u> |
| Fund balance at end of year | <u>\$ 1,167,570</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,167,570</u> |

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

FAU-TREASURE COAST UNIVERSITY SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

FAU - Treasure Coast University Schools, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, *the Florida Not for Profit Corporation Act* and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of nine board members.

The general operating authority of the School is contained in Section 1002.34, Florida Statutes. The School is not considered a component unit of its sponsor, Florida Atlantic University ("FAU"/the "Sponsor") and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, it must follow generally accepted accounting principles applicable to state and local governmental units.

Management has determined that the School is not a component unit of FAU due to the following considerations in accordance with the definition of a component entity per GASB guidance. The School:

- Is legally separate.
- Does not meet the fiscal dependency and financial benefit/burden criteria.
- Determines its budget.
- Has the authority to levy taxes or set rates or charges, without approval by another government.
- Can issue bonded debt without approval by another government.

Charter Contract

The charter agreement between the sponsoring entity, the FAU Board of Trustees, a university board of the State of Florida University System, is entered into for the purposes of creating and maintaining a developmental research charter school ("DRCS") pursuant to Section 1002.33(5)(a)2, Florida Statutes. Pursuant to Section 1011.24, Florida Statutes, the DRCS is a special school district for the purposes therein set forth.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Charter Contract *(Continued)*

The current charter is effective until June 30, 2021, and may be renewed by mutual written agreement between the School and the Sponsor. At the end of the term of the charter, the Sponsor may choose not to renew the charter under grounds specified in the charter. In this case, the Sponsor is required to notify the School in writing at least 360 days prior to the charter's expiration. During the term of the charter, the Sponsor may also terminate the charter if good cause is shown. In the event of termination of the charter, any unencumbered funds, and all equipment and property purchased by the School with university public funds, shall revert to the ownership of FAU, and all equipment and property purchased with School Board of St. Lucie County (the "School Board") funds, shall revert to the ownership of the School Board.

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

Basis of Presentation

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

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

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

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Basis of Presentation *(Continued)*

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

Governmental Funds:

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

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

Basis of Accounting

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

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

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

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Deposits and investments

The School's cash and cash equivalents are held by the School Board and FAU and are considered to be cash on hand, demand deposits, and short-term, highly-liquid investments with original maturities of three months or less. Cash deposits of \$1,224,280 are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool, as required by Chapter 280, Florida Statutes.

Investments reported as cash equivalents totaled \$132,784, and consist of amounts placed with the State Board of Administration ("SBA") in Florida PRIME f/k/a the Local Government Surplus Funds Trust Fund Investment Pool. Florida PRIME is a 2a7-like external investment pool presented at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals; however, Florida PRIME may, on the occurrence of an event that has a material impact on liquidity or operations, impose restrictions on withdrawals for up to 48 hours.

Revenue Sources

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

Under the provisions of Section 1011.62, Florida Statutes, FAU reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. FAU receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures, and changes in fund balances - governmental funds. This administrative fee is calculated on the FEFP revenue up to 250 students. The difference between the actual fee and the fee as calculated on total FEFP revenue is restricted for capital outlay expenditures. As of June 30, 2016, the School had no restricted funds for this purpose. The administration fee paid to the Sponsor totaled approximately \$80,000. It is included in the total of \$360,000 paid to the Sponsor for administrative costs, and is reflected as a general administration expenditure for the year ended June 30, 2016.

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Revenue Sources *(Continued)*

The state allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the School on an annual basis. The School is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE. As of June 30, 2016, all amounts received under this program had been expended.

The School is also eligible for Charter School Capital Outlay Funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, the unspent portion, if any, is reflected as restricted net assets and reserved fund balance in the accompanying financial statements. As of June 30, 2016, all amounts received under this program had been expended.

Income Taxes

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

Fund Balance Spending Policy

The School's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, then the unassigned fund. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Directors. There are no minimum fund balance requirements for any of the School's funds.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenses/expenditures for the year presented. Actual results could differ significantly from those estimates.

Subsequent Events

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through May 17, 2017, which is the date the financial statements were available to be issued.

NOTE 2 - ACCOUNTS RECEIVABLE

The accompanying financial statements include accounts receivable in the amount of \$130,806. These are funds to be collected by FAU from revenue sources subsequent to June 30, 2016 for allocations for the fiscal year July 1, 2015 to June 30, 2016.

NOTE 3 - CAMPUS FACILITY

The School's campus is located in Port St. Lucie, Florida. The School Board is the owner of the facility site and holds title to the facilities. The School Board is lease purchasing the facilities from the St. Lucie School Board Leasing Corporation. The School Board is subleasing the facilities to the School during the term of the charter (see Notes 4 and 7).

NOTE 4 - AGREEMENTS BETWEEN THE SCHOOL AND THE SCHOOL BOARD

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

The School entered into a services and equipment agreement with the School Board on November 14, 2006. The term of the agreement is through June 30, 2040, unless renewed by the parties in accordance with the agreement. The agreement may be terminated by either party with or without cause upon 180 days' written notice to the other party. The School Board is an independent contractor to the School. The School Board provides the services of supervisory, instructional, and support personnel to the School, as well as operation, maintenance, and security of the facilities. The School Board provides (and retains title to) all furniture, fixtures, and equipment used by the School (see Note 5).

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

Agreement for Food Services

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

NOTE 4 - AGREEMENTS BETWEEN THE SCHOOL AND THE SCHOOL BOARD

(Continued)

Transportation Services

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

NOTE 5 - RISK MANAGEMENT PROGRAM

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

NOTE 6 - SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

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

| | |
|---|---------------------|
| Florida Educational Finance Program | \$ 7,153,534 |
| Class Size Reduction | 1,621,382 |
| Supplemental Academic Instruction | 420,182 |
| School Recognition Funds | 312,196 |
| Instructional Material | 107,915 |
| Safe Schools | 73,303 |
| Digital Learning | 67,003 |
| Teachers Lead | 23,610 |
| Bonus | 596 |
| Total General Fund, State and Local Revenue Sources | <u>\$ 9,779,721</u> |

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

| | |
|--|---------------------|
| Public Education Capital Outlay | \$ 991,501 |
| Charter School Capital Outlay | 208,749 |
| Total Capital Projects Fund, State and Local Revenue Sources | <u>\$ 1,200,250</u> |

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the granter agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the granter agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2016 may be impaired.

In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal Matters

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

Lease Commitments

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

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

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------------|
| 2017 | \$ 1,505,381 |
| 2018 | 1,504,981 |
| 2019 | 1,503,381 |
| 2020 | 1,505,481 |
| 2021 | 1,500,738 |
| | <u>\$ 7,519,962</u> |

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

REQUIRED SUPPLEMENTARY INFORMATION

FAU-TREASURE COAST UNIVERSITY SCHOOLS, INC.

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended June 30, 2016

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|--------------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| State and local sources | \$ 9,786,051 | \$ 9,786,051 | \$ 9,779,721 | \$ (6,330) |
| Contributions and other revenue | 11,762 | 11,762 | 320,832 | 309,070 |
| | <u>9,797,813</u> | <u>9,797,813</u> | <u>10,100,553</u> | <u>302,740</u> |
| TOTAL REVENUES | | | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 6,269,956 | 6,269,956 | 5,740,940 | 529,016 |
| Instructional support services | 485,843 | 485,843 | 486,865 | (1,022) |
| Instructional media | 143,060 | 143,060 | 137,743 | 5,317 |
| Other instruction | 2,458 | 2,458 | 2,458 | - |
| Instruction and curriculum development | 103,721 | 103,721 | 43,481 | 60,240 |
| Instructional staff training | 252,993 | 252,993 | 158,527 | 94,466 |
| Instructional-related technology | 7,257 | 7,257 | 7,748 | (491) |
| Board | 725 | 725 | - | 725 |
| General administration | 363,180 | 363,180 | 275,660 | 87,520 |
| School administration | 695,252 | 695,252 | 693,399 | 1,853 |
| Fiscal services | 56,488 | 56,488 | 62,422 | (5,934) |
| Central services | 89,667 | 89,667 | 104,508 | (14,841) |
| Pupil transportation | 753,568 | 753,568 | 753,568 | - |
| Operation of plant | 840,829 | 840,829 | 764,087 | 76,742 |
| Maintenance of plant | 45,421 | 45,421 | 39,448 | 5,973 |
| Administrative technology services | 121,197 | 121,197 | 128,491 | (7,294) |
| Community services | 1,744 | 1,744 | 303,643 | (301,899) |
| | <u>10,233,359</u> | <u>10,233,359</u> | <u>9,702,988</u> | <u>530,371</u> |
| TOTAL EXPENDITURES | | | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | (435,546) | (435,546) | 397,565 | 833,111 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfer in/(out) | - | - | (678,440) | (678,440) |
| | <u>-</u> | <u>-</u> | <u>(678,440)</u> | <u>(678,440)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | | | | |
| NET CHANGES IN FUND BALANCE | (435,546) | (435,546) | (280,875) | 154,671 |
| Fund balance at beginning of year | 1,448,445 | 1,448,445 | 1,448,445 | - |
| Fund balance at end of year | <u>\$ 1,012,899</u> | <u>\$ 1,012,899</u> | <u>\$ 1,167,570</u> | <u>\$ 154,671</u> |

FAU-TREASURE COAST UNIVERSITY SCHOOLS, INC.

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

Year Ended June 30, 2016

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|------------|--------------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Federal sources | \$ 827,418 | \$ 827,418 | \$ 807,484 | \$ (19,934) |
| TOTAL REVENUES | 827,418 | 827,418 | 807,484 | (19,934) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 379,122 | 379,122 | 361,273 | 17,849 |
| Instructional support services | 4,530 | 4,530 | 4,530 | - |
| Instruction and curriculum development | 59,062 | 59,062 | 58,985 | 77 |
| Instructional staff training | 79,234 | 79,234 | 77,226 | 2,008 |
| Food services | 305,470 | 305,470 | 305,470 | - |
| TOTAL EXPENDITURES | 827,418 | 827,418 | 807,484 | 19,934 |
| NET CHANGES IN FUND BALANCE | - | - | - | - |
| Fund balance at beginning of year | - | - | - | - |
| Fund balance at end of year | \$ - | \$ - | \$ - | \$ - |

SINGLE AUDIT SECTION

FAU-TREASURE COAST UNIVERSITY SCHOOLS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

| <u>Federal Grantor / Pass-Through Grantor Program Title</u> | <u>Federal CFDA Number</u> | <u>Grant Period</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|-------------------------|---------------------------------|
| United States Department of Agriculture: | | | |
| Indirect: | | | |
| Florida Department of Agriculture and Consumer Services: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | 7/1/2015 - 6/30/2016 | \$ 45,327 |
| National School Lunch Program | 10.555 | 7/1/2015 - 6/30/2016 | 245,570 |
| School Snack Program | 10.556 | 7/1/2015 - 6/30/2016 | <u>14,573</u> |
| Total Child Nutrition Cluster | | | <u>305,470</u> |
| Total United States Department of Agriculture | | | 305,470 |
| United States Department of Education: | | | |
| Indirect: | | | |
| Florida Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 7/1/2015 - 6/30/2016 | 294,460 |
| Special Education - Grants to States (IDEA Part B) | 84.027 | 7/1/2015 - 6/30/2016 | 203,225 |
| Improving Teacher Quality State Grants (Title II) | 84.367 | 7/1/2015 - 6/30/2016 | <u>4,329</u> |
| Total United States Department of Education | | | <u>502,014</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 807,484</u></u> |

See accompanying notes to schedule of expenditures of federal awards.

FAU-TREASURE COAST UNIVERSITY SCHOOLS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

NOTE 1 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”).

NOTE 2 - INDIRECT COST RATE ELECTION

The School did not elect to use the 10% de minimis indirect cost rate for its federal programs.

FAU-TREASURE COAST UNIVERSITY SCHOOLS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:

Unmodified Opinion

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies)? Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies)? Yes None reported

Type of report issued on compliance for major federal program:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?

Yes No

Identification of Major Programs:

CFDA Numbers

Name of Federal Program or Cluster

84.010

Title I Grants to Local Education Agencies

84.027

Special Education Grants to States (IDEA Part B)

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors of
FAU - Treasure Coast University Schools, Inc.

Report on Compliance for Each Major Federal Program

We have audited the compliance of FAU - Treasure Coast University Schools, Inc. (the "School") with the types of compliance requirements described in the U.S. Office of Management and Budget *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2016. The School's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

To the Board of Directors of
FAU - Treasure Coast University Schools, Inc.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida
May 17, 2017

OTHER REPORTS



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
FAU - Treasure Coast University Schools, Inc.

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of FAU - Treasure Coast University Schools, Inc. (the “School”) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements and have issued our report thereon dated May 17, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors of
FAU - Treasure Coast University Schools, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Pursuant to provisions of Chapter 10.850, *Rules of the Auditor General*, we reported certain matters to management of the School in a separate management letter dated May 17, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A.".

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
May 17, 2017



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Directors of
FAU - Treasure Coast University Schools, Inc.

Report on the Financial Statements

We have audited the financial statements of FAU - Treasure Coast University Schools, Inc. (the "School") as of and for the year ended June 30, 2016, and have issued our report thereon dated May 17, 2017.

Auditor's Responsibility

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and Chapter 10.850, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated May 17, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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 report. In connection with our audit, there were no findings or recommendations.

Official Title

Section 10.854(1)(e)5., *Rules of the Auditor General*, requires the name or official title of the entity. The official title of the entity is FAU - Treasure Coast University Schools, Inc.

To the Board of Directors of
FAU - Treasure Coast University Schools, Inc.

Financial Condition

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 specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6a. and 10.855(12), *Rules of the Auditor General*, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based, in part, on representations made by management and the review of financial information provided by the same.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), *Rules of the Auditor General*, require the that we report the results of our determination as to whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes, with the exception of names of governing board members, the School's annual budget, and its annual independent fiscal audit.

Other Matters

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 noncompliance with provisions of 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

To the Board of Directors of
FAU - Treasure Coast University Schools, Inc.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Board of Directors, applicable management, and the School District of St. Lucie County and is not intended to be, and should not be, used by anyone other than these specified parties.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida

May 17, 2017