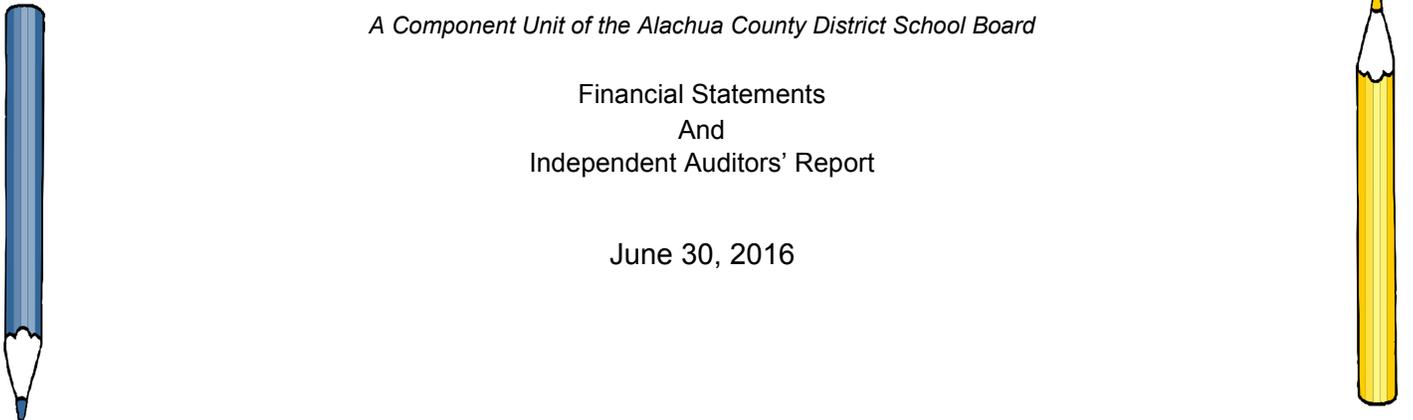


The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

Financial Statements
And
Independent Auditors' Report

June 30, 2016



KATTELL AND COMPANY, P.L.

A professional accounting firm serving the nonprofit community

**808-B NW 16th Avenue
Gainesville, Florida 32601
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FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2016

THE EINSTEIN SCHOOL, INC.

A Component Unit of the Alachua County District School Board

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Einstein School, Inc.

October 6, 2016

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of The Einstein School, Inc. (the School), a component unit of the Alachua County District School Board, 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 the 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.

Auditors' 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 required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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.

Opinions. In our opinion, the financial statements referred to above 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 year then ended in accordance 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 management's discussion and analysis and the budgetary comparison schedule, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2016, on our consideration of the School's internal control over financial reporting (internal control) 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 and compliance and the results of that testing, and not to provide an opinion on internal control 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 and compliance.

Kattell and Company, P.L.

Gainesville, Florida

Management's Discussion and Analysis

June 30, 2016

The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2016:

- The School's overall net position decreased by approximately \$31,000, which is about 3%.
- Total ending unrestricted net position was approximately \$293,000.
- The School had total expenses for the year of about \$984,000 compared to revenues of approximately \$953,000.
- The School educated 107 students in 2016 and 112 students in 2015 in grades 2-8.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net position – the difference between assets and liabilities – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

The School maintains two individual governmental funds, the General Fund and Capital Projects Fund. These funds are considered to be major funds and, accordingly, they are separately displayed.

Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

Management's Discussion and Analysis

June 30, 2016

The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about net position and changes in net position.

	2016 Governmental Activities	2015 Governmental Activities
Net Position		
Assets:		
Non-capital Assets	\$ 389,918	\$ 420,201
Capital Assets, Net	1,604,313	1,639,287
Total Assets	1,994,231	2,059,488
Liabilities:		
Current Liabilities	7,923	9,250
Long Term Liabilities	1,029,288	1,061,911
Total Liabilities	1,037,211	1,071,161
Net Assets:		
Net investment in Capital Assets	575,025	577,376
Restricted	88,713	91,015
Unrestricted	293,282	319,936
Total Net Assets	\$ 957,020	\$ 988,327
Change in Net Position		
Program Revenues:		
Charges for Services	\$ 73,312	\$ 65,386
Capital Grants & Contributions	40,532	43,673
General Revenues:		
Florida Education Finance Program	778,302	799,251
Other State Revenues	6,026	3,006
Unrestricted Grants & Contributions	51,986	78,868
Unrestricted Investment Earnings	3,298	3,331
Total Revenues	953,456	993,515
Program Expenses:		
Instruction	513,301	467,213
Instructional Support Services	46,013	51,648
General Support Services	337,708	341,779
Community Service	33,554	33,474
Interest on Long Term Debt	54,187	62,018
Total Expenses	984,763	956,132
Change in Net Position	(31,307)	37,383
Beginning Net Position	988,327	950,944
Ending Net Position	\$ 957,020	\$ 988,327

Management's Discussion and Analysis

June 30, 2016

The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities. The governmental activities generated \$113,844 in program revenues and \$839,612 of general revenues, and incurred \$984,763 of program expenses. This resulted in a \$31,307 decrease in net position.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund decreased by \$28,956 from \$410,951 to \$381,995.

Capital Projects Fund. The fund balance of the Capital Projects Fund remained at \$0. All capital outlay funds received were expended on eligible costs during the year.

BUDGETARY HIGHLIGHTS

General Fund. There were no significant differences between original and final budgeted amounts. There were no differences between the final budget and actual amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The School had no significant capital asset activity. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

Debt Administration. The School issued no new debt and made scheduled payments on its long-term debt. Please refer to a note to the accompanying financial statements entitled *Long-Term Liabilities* for more detailed information about the School's long-term debt activity.

ECONOMIC FACTORS

The School currently is not aware of any conditions that are expected to have a significant effect on the School's financial position or results of operations.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Christine Aurelio, Principal, The Einstein School, Inc.; 5910 S.W. Archer Road; Gainesville, Florida 32608.

Statement of Net Position
June 30, 2016
The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

	Governmental Activities
Assets	
Cash	\$ 188,161
Cash with Fiscal Agent	88,713
Investments	99,901
Receivables	8,643
Prepays	4,500
Capital Assets:	
Land	425,000
Depreciable Capital Assets, Net	1,179,313
 Total Assets	 1,994,231
Liabilities	
Accounts Payable	5,765
Salaries Payable	247
Deferred Revenue	1,911
Long Term Debt:	
Due Within One Year	35,281
Due In More Than One Year	994,007
 Total Liabilities	 1,037,211
Net Position	
Net Investment in Capital Assets	575,025
Restricted for Debt Service	65,316
Restricted for Capital Replacement	23,397
Unrestricted	293,282
 Total Net Position	 \$ 957,020

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2016
The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

	Program Revenues			Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs:					
Governmental Activities:					
Instruction	\$ (513,301)	\$ 12,472	\$ --	\$ --	\$ (500,829)
Instructional Support Services	(46,013)	--	--	--	(46,013)
General Support Services	(337,708)	11,442	--	--	(326,266)
Community Services	(33,554)	49,398	--	--	15,844
Interest on Long-Term Debt	(54,187)	--	--	40,532	(13,655)
Total	<u>\$ (984,763)</u>	<u>\$ 73,312</u>	<u>\$ --</u>	<u>\$ 40,532</u>	<u>(870,919)</u>

General Revenues:

State Revenue:

Florida Education Finance Program	778,302
Other State Revenues	6,026
Unrestricted Grants and Contributions	51,986
Unrestricted Investment Earnings	<u>3,298</u>

Total General Revenues **839,612**

Change in Net Position **(31,307)**

Net Position – Beginning of Year **988,327**

Net Position – End of Year **\$ 957,020**

See accompanying notes.

Balance Sheet – Governmental Funds

June 30, 2016

The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 188,161	\$ --	\$ 188,161
Cash with Fiscal Agent	88,713	--	88,713
Investments	99,901	--	99,901
Receivables	8,643	--	8,643
Prepays	4,500	--	4,500
Total Assets	\$ 389,918	\$ --	\$ 389,918
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 5,765	\$ --	\$ 5,765
Salaries Payable	247	--	247
Prepaid Fees	1,911	--	1,911
Total Liabilities	7,923	--	7,923
Fund Balances:			
Non-spendable Prepays	4,500	--	4,500
Restricted - Debt Service	65,316	--	65,316
Restricted - Capital Asset Replacement	23,397	--	23,397
Assigned	99,901	--	99,901
Unassigned	188,881	--	188,881
Total Fund Balances	381,995	--	381,995
Total Liabilities and Fund Balances	\$ 389,918	\$ --	\$ 389,918

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Position –
Governmental Funds**

June 30, 2016

The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

Fund Balances – Total Governmental Funds	\$ 381,995
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Amounts reported for Governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not reported in the governmental funds.

Capital Assets – Net of Accumulated Depreciation	1,604,313
--	-----------

Long-term liabilities are not due and payable in the current period and so are not reported as fund liabilities, but are included in the statement of net position.

Long-Term Liabilities	<u>(1,029,288)</u>
-----------------------	--------------------

Net Position of Governmental Activities	<u>\$ 957,020</u>
--	-------------------

See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
For the Year Ended June 30, 2016
The Einstein School, Inc.**

A Component Unit of the Alachua County District School Board

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
State Revenue:			
Florida Education Finance Program	\$ 778,302	\$ --	\$ 778,302
Public Education Capital Outlay	--	40,532	40,532
Other State Revenue	6,026	--	6,026
Local Revenue:			
School Age Child Care Fees	45,901	--	45,901
Summer Camp Income	3,497	--	3,497
Rental Income	11,400	--	11,400
Interest Income	3,298	--	3,298
Gifts and Fundraising	51,986	--	51,986
Field Trip Fees	3,248	--	3,248
Other Local Revenues	9,266	--	9,266
Total Revenues	912,924	40,532	953,456
Expenditures and Changes in Fund Balances			
Expenditures:			
Current:			
Instruction	512,582	--	512,582
Instructional Support Services	46,013	--	46,013
General Support Services	303,453	--	303,453
Community Services	33,554	--	33,554
Debt Service:			
Principal	--	32,623	32,623
Interest	46,278	7,909	54,187
Total Expenditures	941,880	40,532	982,412
Net Change in Fund Balance	(28,956)	--	(28,956)
Fund Balances, June 30, 2015	410,951	--	410,951
Fund Balances, June 30, 2016	\$ 381,995	\$ --	\$ 381,995

See accompanying notes.

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

For the Year Ended June 30, 2016

The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

Excess of Revenues over Expenditures – Total Governmental Funds \$ (28,956)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Current Year Expenditures for Capital Assets	6,400
Current Year Depreciation Expense	(41,374)

Issuance of long term debt provides current financial resources to governmental funds, but has no effect on net position. Repayment of principal is an expenditure in governmental funds, but reduces long-term liabilities in the statement of net position.

Current Year Principal Payments	<u>32,623</u>
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Change in Net Position of Governmental Activities \$ (31,307)

See accompanying notes.

Notes to the Financial Statements

June 30, 2016

The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of The Einstein School, Inc. conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

The Einstein School, Inc. is a not-for-profit corporation organized in 1998 pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The not-for-profit corporation conducts business as The Einstein School (the School). The governing body of the School is the not-for-profit corporation's Board of Directors which is composed of five members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Alachua County District School Board (the District). The current charter is effective until June 30, 2019, and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. 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. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities.

Any internal inter-fund activity has been eliminated from the government-wide financial statements.

The Statement of Net Position reports the School's financial position as of the end of the fiscal year. In this statement, the School's net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Notes to the Financial Statements

June 30, 2016

The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The following funds are used by the School:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources associated with grants that are restricted to capital uses.

In the accompanying fund financial statements, the General Fund and Capital Projects Fund are both considered to be major funds and, therefore, are separately displayed. The School has no nonmajor funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other revenue items are considered to be measurable and available only when cash is received.

Cash and Cash Equivalents

Cash consists of deposits in financial institutions. Such deposits qualify as public deposits and are insured by Florida's Public Deposits Program as defined in Section 280.02, Florida Statutes. The School has no policy regarding deposit custodial credit risk.

Cash with Fiscal Agent

The School has cash held with a fiscal agent to fund required reserves for debt service and for capital asset replacement. These amounts are recorded as restricted on the Statement of Net Position.

Investments

The School established a fund (the Fund) at the Community Foundation of North Central Florida (CFNCF) and makes occasional contributions to that fund. Distributions from the fund will be made upon written request from the School and subject to CFNCF's powers of modification and removal. The Fund is considered an investment in an external investment pool and the fair value of the Fund is determined by the fair value per share of the pool's underlying portfolio. CFNCF is a private not-for-profit entity and, therefore, is not subjected to any regulatory oversight. The fair value of the School's deposit with CFNCF is the same as the value of the pool shares.

Notes to the Financial Statements

June 30, 2016

The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid assets are reported as “non-spendable” in the funds financial statements to indicate that prepaids do not represent available expendable resources.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$500 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-39
Improvements	15
Furniture, Fixtures and Equipment	5

Revenue Sources

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

The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

Compensated Absences

The School does not pay for employees’ unused sick leave. Unused time may not accumulate to be used in subsequent years, therefore, no liability is recorded.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

Net Position

Net Position represents the difference between assets and liabilities and is reported in three categories as hereafter described. *Net investment in capital assets* represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net Position is reported as *restricted* when there are legal limitations imposed on its use by legislation, or external restrictions imposed by other governments, creditors, or grantors. The balance of Net Position is reported as *unrestricted*.

When both restricted and unrestricted resources are available for use, it is the School’s policy to use restricted resources first, and then unrestricted resources as they are needed.

Notes to the Financial Statements

June 30, 2016

The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Fund Balance Classifications

Governmental funds report separate classifications of fund balance.

Non-Spendable. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted. The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed. Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School’s Board of Directors.

Assigned. Assigned fund balance is defined as amounts that are constrained by the intent of the School’s Board of Directors to be used for specific purposes, but are neither restricted nor committed. The School has given the authority to assign fund balance to the School’s Principal. Assigned fund balance includes spendable fund balance amounts established by the Principal that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year’s budget in an amount no greater than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management’s intended use of resources as set forth each year by the Principal. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned. Unassigned fund balance is the residual classification for the general fund.

It is the policy of the School that they will use restricted resources to the extent which they are available, then committed resources, followed by assigned resources. Once these are consumed the School will then use unassigned resources. The School does not have a formal policy requiring a minimum fund balance.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital Assets not Being Depreciated:				
Land	\$ 425,000	\$ --	\$ --	\$ 425,000
Total Capital Assets not Being Depreciated	<u>425,000</u>	<u>--</u>	<u>--</u>	<u>425,000</u>
Capital Assets Being Depreciated:				
Buildings	1,456,620	3,500	--	1,460,120
Improvements	17,800	--	--	17,800
Furniture, Fixtures & Equipment	39,994	2,900	--	42,894
Total Capital Assets Being Depreciated	<u>1,514,414</u>	<u>6,400</u>	<u>--</u>	<u>1,520,814</u>
Accumulated Depreciation				
Buildings	258,845	38,165	--	297,010
Improvements	6,293	1,187	--	7,480
Furniture, Fixtures & Equipment	34,989	2,022	--	37,011
Total Accumulated Depreciation	<u>300,127</u>	<u>41,374</u>	<u>--</u>	<u>341,501</u>
Net Capital Assets	<u>\$ 1,639,287</u>	<u>\$ (34,974)</u>	<u>\$ --</u>	<u>\$ 1,604,313</u>

Notes to the Financial Statements

June 30, 2016

The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION (concluded)

Depreciation was charged to functions/programs as follows:

Instruction	\$ 719
General Support	<u>40,655</u>
Total Depreciation Expense	<u>\$ 41,374</u>

NOTE 3 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in the current and previous two years.

NOTE 4 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amount Due In 1 Year
Note Payable	<u>\$ 1,061,911</u>	<u>\$ --</u>	<u>\$ 32,623</u>	<u>\$ 1,029,288</u>	<u>\$ 35,281</u>

The School borrowed \$1,200,000 to purchase and renovate its facilities. In November, 2014, the School modified the existing loan. The note payable is a fixed rate loan; is collateralized by the School's real property; is amortized over 20 years; carries an interest rate of 5.09%; and includes a balloon payment due October 2019. The payments are \$7,234 per month. There is a prepayment penalty ranging from one to five percent. The scheduled debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Payment
2017	\$ 35,281	\$ 51,529	\$ 86,810
2018	37,119	49,691	86,810
2019	39,053	47,757	86,810
2020	<u>917,835</u>	<u>13,465</u>	<u>931,300</u>
Total	<u>\$1,029,288</u>	<u>\$ 162,442</u>	<u>\$1,191,730</u>

NOTE 5 – EMPLOYEE RETIREMENT PLAN

The School has established a Simplified Employee Pension (SEP), a defined contribution pension plan administered by Valic. Pursuant to the SEP, the School may contribute five percent of each employee's gross pay for the contract year. There are no matching requirements. The School did not make any contributions to this plan during the years ending June 30, 2015 or 2016. The Board of Directors has the authority to amend or terminate the plan.

NOTE 6 – COMMITMENTS

As of June 30, 2016, The School had entered into a contract to purchase a new roof for the building. The contract total was \$30,127. No work was completed on this project prior to June 30, 2016.

Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2016
The Einstein School, Inc.

A Component Unit of the Alachua County District School Board

	BUDGETED		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
State Revenue:				
Florida Education Finance Program	\$ 810,000	\$ 778,302	\$ 778,302	\$ --
Other State Revenue	3,200	6,026	6,026	--
Local Revenue:				
School Age Child Care Fees	30,000	45,901	45,901	--
Summer Camp Income	2,000	3,497	3,497	--
Rental Income	6,000	11,400	11,400	--
Interest Income	1,440	3,298	3,298	--
Gifts and Fundraising	52,000	51,986	51,986	--
Field Trip Fees	5,500	3,248	3,248	--
Other Local Revenues	6,800	9,266	9,266	--
Total Revenues	916,940	912,924	912,924	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instruction	467,600	512,582	512,582	--
Instructional Support Services	56,730	46,013	46,013	--
General Support Services	324,550	303,453	303,453	--
Community Services	25,300	33,554	33,554	--
Debt Service:				
Interest	38,800	46,278	46,278	--
Total Expenditures	912,980	941,880	941,880	--
Net Change in Fund Balance	3,960	(28,956)	(28,956)	--
Fund Balances, June 30, 2015	--	410,951	410,951	--
Fund Balances, June 30, 2016	\$ --	\$ 381,995	\$ 381,995	\$ --

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 6, 2016

To the Board of Directors
The Einstein School, Inc

We have audited the financial statements of The Einstein School, Inc. (the School) for the year ended June 30, 2016, and have issued our report thereon dated October 6, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 5, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no estimates that are particularly sensitive.

Disclosures. There are no disclosures that are particularly sensitive.

Corrected and Uncorrected Misstatements. Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. There were no significant adjustments and no significant unadjusted differences.

Our Working Relationship with Management

Difficulties Encountered in Performing the Audit. We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management. For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations. We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants. In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Consultations Prior to Engagement. We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management and the Board of Directors of the School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Kattell and Company, P.L.

Kattell and Company, P.L.

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MANAGEMENT LETTER

To the Board of Directors,
The Einstein School, Inc.

October 6, 2016

Report on the Financial Statements. We have audited the financial statements of The Einstein School, Inc. (the School), as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated October 6, 2016.

Auditors' 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; and Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedules. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated October 6, 2016, 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 audit report. In that regard, there are no uncorrected findings to report.

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 The Einstein School, Inc.

Financial Condition. Sections 10.854(1)(e)2., Rules of the Auditor General requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. 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 same.

Transparency. Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

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.

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, the local district school board, the Board of Directors and management of the School, and is not intended to be and should not be used by anyone other than these specified parties.

* * * * *

Thank you for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or any other matters.

Kattell and Company, P.L.

Kattell and Company, P.L.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the Board of Directors,
The Einstein School, Inc.

We have audited, 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 financial statements of the governmental activities and each major fund of The Einstein School, Inc., (the School), as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 6, 2016.

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 School's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is 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 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 were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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*.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

* * * * *

As required by the Rules of the Auditor General of the State of Florida, we noted certain matters that we reported to management of the School in the management letter dated October 6, 2016.

Kattell and Company, P.L.

October 6, 2016