

**CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED BY
INDIAN RIVER STATE COLLEGE**

FINANCIAL STATEMENTS

June 30, 2016

**Clark Advanced Learning Center
A Charter School Operated by Indian River State College**

Financial Statements

Fiscal Year Ended June 30, 2016

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Report of Independent Auditors

To the Board of Trustees
Clark Advanced Learning Center
A Charter School Operated by
Indian River State College
Fort Pierce, Florida

We have audited the accompanying basic financial statements of Clark Advanced Learning Center, A Charter School Operated by Indian River State College, as of and for the year ended June 30, 2016, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard 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 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 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Fort Pierce / Stuart



Board of Trustees
Clark Advanced Learning Center
A Charter School Operated by
Indian River State College
Fort Pierce, Florida

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clark Advanced Learning Center as of June 30, 2016, and the respective changes in its' financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the accompanying financial statements were prepared to present financial position, changes in financial position and cash flows of Clark Advanced Learning Center and are not intended to be a complete presentation of the Indian River State College's financial statements.

Other Matters

Required Supplementary Information

Governmental accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *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 in accordance with governmental auditing standards generally accepted in the United States of America, which consisted principally of inquires of management regarding 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.

Board of Trustees
Clark Advanced Learning Center
A Charter School Operated by
Indian River State College
Fort Pierce, Florida

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clark Advanced Learning Center's basic financial statements. The Statement of Changes in Assets and Liabilities – Agency Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Changes in Assets and Liabilities – Agency Funds 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. Such 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 Statement of Changes in Assets and Liabilities – Agency Funds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016 on our consideration of Clark Advanced Learning Center's internal control over financial reporting and our tests of its' compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clark Advanced Learning Center's internal control over financial reporting and compliance.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

October 11, 2016

**CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED
BY INDIAN RIVER STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016**

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the Clark Advanced Learning Center A Charter School Operated by Indian River State College (CLARK) for the year ended June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes, which follow this section.

CLARK is operated by Indian River State College (IRSC) and is housed on the Indian River State College, Chastain Campus in Stuart, Florida. Students attending CLARK enjoy full access to all College facilities, activities and services. Enrollment during fiscal year 2015-2016 consisted of 243 students compared to 244 students in the prior fiscal year.

Using the Financial Statements

This report consists of three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows that provides information on CLARK as a whole and presents a long term view of CLARK's finances. The following activities are included in CLARK's basic financial statements:

- The Primary Institution, Clark Advanced Learning Center, is a public charter high school operated by Indian River State College and sponsored by the School Board of Martin County, open to Martin County public, private or home school students who are in the 10th, 11th and 12th grades. The purpose of CLARK is to provide academic and technical education for high school students and the opportunity to complete a high school diploma and an Associate Degree, simultaneously, in either academic transfer or technical education options. The high school is distinguished by the application of varied instructional delivery and learning styles, a technology-across-the-curriculum approach and incorporation of an integrated academic seminar series at each grade level.

The Management's Discussion and Analysis (MD&A), Financial Statements and accompanying Notes are prepared in accordance with the appropriate Governmental Accounting Standards Board (GASB) pronouncements: Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.

Statement of Net Position

The Statements of Net Position presents a financial picture of CLARK's financial condition at June 30, 2016 by reporting assets (current and non-current), liabilities (current and non-current), and net position (assets less liabilities).

**CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED
BY INDIAN RIVER STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016**

Assets

Total assets of CLARK at June 30, 2016 were \$2,932,998 of which cash and investments of \$2,626,696 represented the major portion. Total assets increased by \$9,167 or .3% over the prior fiscal year primarily due to an increase in cash and investments and capital assets. Total non-current assets net of depreciation were \$280,134.

Liabilities

Total liabilities at June 30, 2016 were \$102,715, a \$24,302 or 19.1% decrease from the prior year balance. This decrease is primarily attributed to a decrease in accounts payable and accrued salaries at fiscal year end.

Current liabilities consisting of accounts payable, accrued liabilities and compensated absences – current were \$57,711 at June 30, 2016. This figure represents a decrease of \$28,178 or 32.8% from the prior fiscal year. Total non-current liabilities consisting of compensated absences payable was \$45,004 compared to \$41,128 in the prior fiscal year.

Net Position

Net position was \$2,830,283 and was divided into three major categories, defined as follows:

- o Net investment in capital assets and depreciation – This category represents CLARK's net equity in property, plant and equipment.
- o Restricted – This category represents Capital Outlay Funds.
- o Unrestricted – This category represents the net assets held by CLARK that have no formal restrictions placed upon them.

**Condensed Statement of Position
At June 30, 2016**

| | <u>6/30/2016</u> | <u>6/30/2015</u> |
|----------------------------------|---------------------|---------------------|
| Current assets | \$ 2,652,864 | \$ 2,625,031 |
| Capital assets | 280,134 | 298,800 |
| Total Assets | <u>\$ 2,932,998</u> | <u>\$ 2,923,831</u> |
| Current liabilities | \$ 57,711 | \$ 85,889 |
| Non-current liabilities | 45,004 | 41,128 |
| Total Liabilities | <u>\$ 102,715</u> | <u>\$ 127,017</u> |
| Net investment in capital assets | \$ 280,134 | \$ 298,800 |
| Restricted for capital projects | 696,550 | 710,390 |
| Unrestricted | 1,853,599 | 1,787,624 |
| Total Net Position | <u>\$ 2,830,283</u> | <u>\$ 2,796,814</u> |

**CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED
BY INDIAN RIVER STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016**

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position, which is generally referred to as the activities statement, presents the total revenues (operating and non-operating) received and expenses (operating and non-operating) paid and owed and income or loss from operations for the fiscal years 2016 and 2015.

Revenues

Non-operating revenues for fiscal years ending June 30, 2016 and 2015 totaled \$1,911,804 and \$1,895,631, respectively, an increase of \$16,173 or .9%. For 2016, intergovernmental revenues from Martin County District School Board totaled \$1,605,228, which includes a special funding award entitled School Recognition Funds totaling \$23,336. Charter School Capital Outlay funds totaled \$51,579 in fiscal year 2016 compared to \$106,366 received in prior fiscal year.

CLARK received general allocation funding from IRSC of \$215,912 for fiscal year 2016 and fiscal year 2015. The funds were used mainly to support CLARK's operating activities.

Other income totaling \$24,184 primarily consists of funding received from the CLARK Foundation in support of student activities programs and proceeds from the sale of used books. This figure represents an increase of \$8,477 or 53.9% more than the prior fiscal year. Interest income increased by \$7,367 or 97.8% compared to prior fiscal year due to increased interest rates.

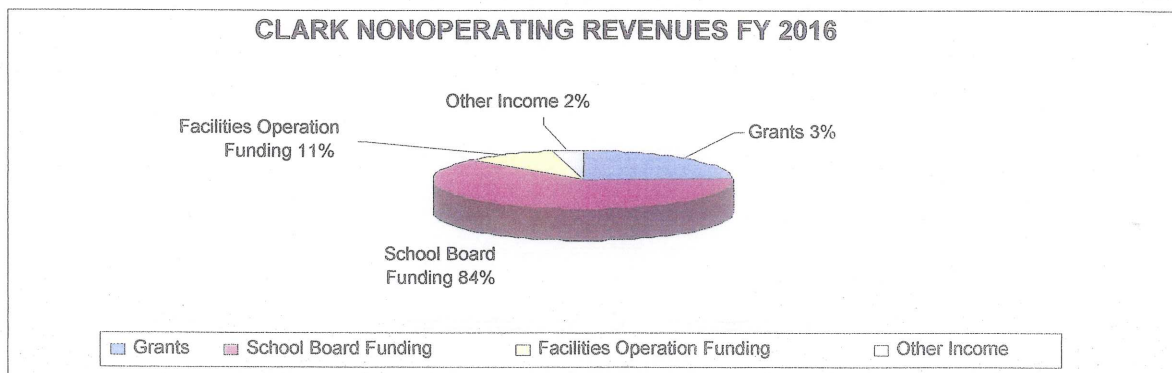
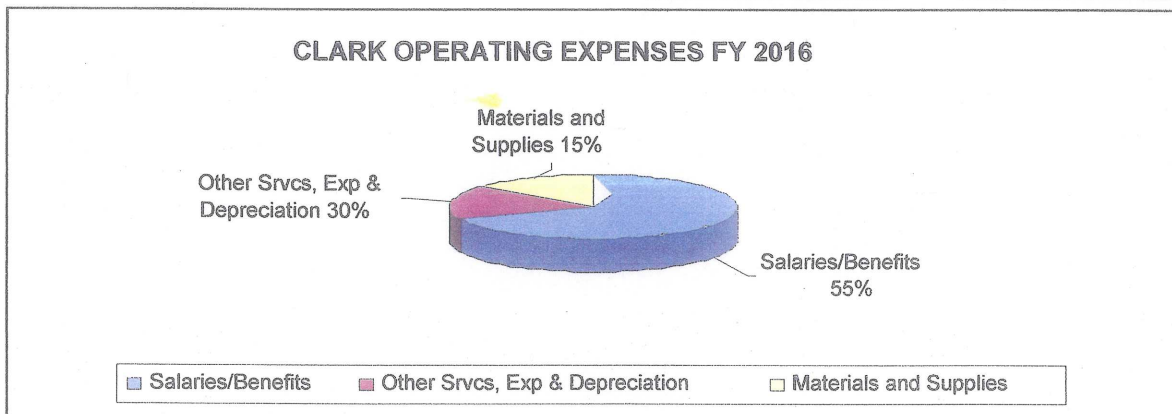
Expenses

Total operating expenses for CLARK for the fiscal years ending June 30, 2016 and 2015 were \$1,878,335 and \$1,783,932, respectively, representing an increase of \$94,403 or approximately 5.3%. This increase is primarily attributed to the increase in minor equipment purchases.

**CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED
BY INDIAN RIVER STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016**

**Condensed Statement of Revenues, Expenses and Changes in Net Position
For the June 30th Fiscal Years Ended**

| | <u>FYE 2016</u> | <u>FYE 2015</u> |
|--|---------------------|---------------------|
| OPERATING EXPENSES: | | |
| Salaries and benefits | \$ 1,029,399 | \$ 1,121,549 |
| Other services/expenses and depreciation | 560,985 | 512,761 |
| Materials and supplies | 287,951 | 149,622 |
| Total Operating Expenses | \$ 1,878,335 | \$ 1,783,932 |
| NON-OPERATING REVENUES: | | |
| School board funding | \$ 1,605,228 | \$ 1,550,112 |
| Federal and capital grants | 51,579 | 106,366 |
| Facilities operation funding | 215,912 | 215,912 |
| Other income and interest | 39,085 | 23,241 |
| Total Non-Operating Revenues | \$ 1,911,804 | \$ 1,895,631 |
| CHANGE IN NET POSITION | \$ 33,469 | \$ 111,699 |
| Net Position-Beginning of Year | 2,796,814 | 2,685,115 |
| Net Position-End of Year | \$ 2,830,283 | \$ 2,796,814 |



**CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED
BY INDIAN RIVER STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016**

Statement of Cash Flows

The Statement of Cash Flows provides a summary of the sources and uses of cash by categories. The primary purpose of the Statement of Cash Flows is to provide information about CLARK's cash receipts and payments during the year and help assess CLARK's ability to generate future net cash flows and meet future obligations.

The major source of cash is the pass through of legislative appropriations received from the State of Florida, Department of Education to the CLARK sponsor, the Martin County District School Board, totaling \$1,605,228. The main uses of Cash for Operating Activities were payments to suppliers totaling \$820,277 and payments to employees in the amount of \$1,028,129.

The Cash Flows from Noncapital Financing Activities include receipts from state and local sources totaling \$1,837,765. Net Cash Flows from Capital and Related Financing Activities sources totaled \$16,014 for fiscal year 2016. The Cash Flows from Investing Activities represent interest income earned on investments in the amount of \$14,901.

Overall, cash at the fiscal year end totaled \$2,626,696.

**Condensed Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016**

| | |
|--|----------------------------|
| Cash Flows from Operating Activities | \$ (1,848,406) |
| Cash Flows from Noncapital Financing Activities | 1,837,765 |
| Cash Flows from Capital and Related Financing Activities | 16,014 |
| Cash Flows from Investing Activities | 14,901 |
| Net Increase in Cash | <u>20,274</u> |
| Cash and cash equivalents, beginning of year | 2,606,422 |
| Cash and cash equivalents, end of year | <u><u>\$ 2,626,696</u></u> |

**CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED
BY INDIAN RIVER STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016**

Economic Factors That Will Affect the Future

Overall, the Clark Advanced Learning Center's financial position is strong and has sufficient unrestricted reserves to offset reductions of State appropriations in the immediate future. Subsequent to fiscal year end, the Clark Advanced Learning Center received an "A" rating from the Florida Department of Education for the 2015-2016 academic school year, for the 8th consecutive year.

Indian River State College and the School Board of Martin County are committed to maintaining the high caliber of student enrollment at CLARK to continue its present level of success.

Request for Information

Questions concerning information provided in the Management's Discussion and Analysis, financial statements and notes thereto, or requests for additional financial information should be addressed to Sheryl S. Vittitoe, CPA, Vice President of Financial Services, CFO, Indian River State College, 3209 Virginia Avenue, Fort Pierce, FL 34981.

CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED BY INDIAN RIVER STATE COLLEGE
STATEMENT OF NET POSITION
June 30, 2016

ASSETS

| | |
|-----------------------------------|--------------|
| Current Assets | |
| Cash and cash equivalents | \$ 2,626,696 |
| Due from affiliate | 26,168 |
| Total Current Assets | 2,652,864 |
| Non-current Assets | |
| Capital assets being depreciated | |
| Improvements other than buildings | 441,255 |
| Furniture and equipment | 96,649 |
| Less: Accumulated depreciation | (257,770) |
| Total Non-Current Assets | 280,134 |
| Total Assets | \$ 2,932,998 |

LIABILITIES

| | |
|--|-----------|
| Current Liabilities | |
| Accounts payable and accrued liabilities | \$ 37,290 |
| Compensated absences - current | 20,421 |
| Total Current Liabilities | 57,711 |
| Non-current Liabilities | |
| Compensated absences | 45,004 |
| Total Liabilities | 102,715 |

NET POSITION

| | |
|----------------------------------|--------------|
| Net investment in capital assets | 280,134 |
| Restricted for capital projects | 696,550 |
| Unrestricted | 1,853,599 |
| Total Net Position | \$ 2,830,283 |

See accompanying notes to financial statements.

CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED BY INDIAN RIVER STATE COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2016

| | |
|--|---------------------|
| Operating Expenses | |
| Salaries | \$ 817,935 |
| Benefits | 211,464 |
| Other services and expenses | 506,754 |
| Materials and supplies | 287,951 |
| Depreciation | 54,231 |
| Total Operating Expenses | <u>1,878,335</u> |
| Operating Loss | <u>(1,878,335)</u> |
| Nonoperating Revenues | |
| Intergovernmental revenues | 1,605,228 |
| Capital grants | 51,579 |
| Facilities operation funding from Indian River State College | 215,912 |
| Other income | 24,184 |
| Interest income | 14,901 |
| Total Non-operating Revenues | <u>1,911,804</u> |
| Change in Net Position | 33,469 |
| Net Position, July 1, 2015 | <u>2,796,814</u> |
| Net Position, June 30, 2016 | <u>\$ 2,830,283</u> |

See accompanying notes to financial statements.

CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED BY INDIAN RIVER STATE COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

CASH FLOWS USED BY OPERATING ACTIVITIES

| | |
|---------------------------------------|--------------------|
| Payments to employees | \$ (1,028,129) |
| Payments to suppliers | <u>(820,277)</u> |
| Net Cash Used by Operating Activities | <u>(1,848,406)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|---------------------------------------|------------------|
| Receipts from state and local sources | <u>1,837,765</u> |
|---------------------------------------|------------------|

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|-----------------|
| Receipts from federal grants | 51,579 |
| Construction of capital assets | <u>(35,565)</u> |
| Net Cash Provided by Capital and Related Financing Activities | <u>16,014</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|-----------------|---------------|
| Interest income | <u>14,901</u> |
|-----------------|---------------|

| | |
|---|--------|
| Net increase in cash and cash equivalents | 20,274 |
|---|--------|

| | |
|--|------------------|
| Cash and Cash Equivalents - July 1, 2015 | <u>2,606,422</u> |
|--|------------------|

| | |
|---|---------------------|
| Cash and Cash Equivalents - June 30, 2016 | <u>\$ 2,626,696</u> |
|---|---------------------|

Reconciliation of net operating (loss) to net cash provided by operating activities

| | |
|--|-----------------------|
| Cash flows from operating activities: | |
| Operating loss | \$ (1,878,335) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | |
| Depreciation | 54,231 |
| Changes in assets and liabilities | |
| Decrease in accounts payable | (25,572) |
| Increase in accrued compensated absences | 1,270 |
| Total Adjustments | <u>29,929</u> |
| Net Cash Used by Operating Activities | <u>\$ (1,848,406)</u> |

See accompanying notes to financial statements.

CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED BY INDIAN RIVER STATE COLLEGE
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
For the Year Ended June 30, 2016

| | <u>Student Internal Accounts</u> |
|----------------------|--------------------------------------|
| ASSETS | |
| Cash | \$ 39,526 |
| LIABILITIES | |
| Agency funds on hand | \$ 39,526 |

See accompanying notes to financial statements.

CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED BY INDIAN RIVER STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Clark Advanced Learning Center (CLARK) is a charter school operated in Martin County, Florida by Indian River State College (the "College"). It is governed by the District Board of Trustees of the College who are appointed by the Governor of the State of Florida.

CLARK is organized and operated in accordance with Section 1002.33, Florida Statutes. CLARK operates under a charter of the sponsoring school district – The School Board of Martin County, Florida. The original charter became effective on July 1, 2004 for a five-year term ending June 30, 2009. The original agreement has been renewed for an additional five-year term upon the mutual consent of the parties. A new agreement was entered into on August 19, 2014, effective July 1, 2014, for a five-year term ending June 30, 2019. The charter may be terminated by the School Board if good cause is shown.

The accompanying financial statements were prepared to present financial position, results of operations and cash flows of Clark Advanced Learning Center and are not intended to be a complete presentation of the College's financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

CLARK's accounting policies conform with governmental accounting principles generally accepted in the United States of America applicable to colleges and universities as prescribed by the Government Accounting Standards Board (GASB). CLARK follows Financial Accounting Standards Board statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements. GASB allows public colleges various reporting options. CLARK elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and reporting to include the following components:

- ◆ Management's Discussion and Analysis (MD&A)
- ◆ Basic Financial Statements
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows (presented using the direct method in compliance with GASB No. 9)
 - Notes to the Financial Statements

CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED BY INDIAN RIVER STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Basis of accounting refers to when revenues, expenses and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. CLARK's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

CLARK's principal operating activity is instruction. Operating expenses include all fiscal transactions related to instruction as well as administration, academic support, and student services. Nonoperating revenues include State and local grants and appropriations and investment income.

The statement of net position is presented in a classified format to distinguish between current and non-current assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the CLARK's policy to first apply the restricted resources to such programs followed by the use of unrestricted resources.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in bank and cash placed with the State Board of Administration. For cash flow purposes the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Capital Assets

Capital assets, which consist of equipment, are recorded at cost or, in the case of donated property, at the estimated fair market value at the date of receipt. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and improvements.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

| | |
|--|------------|
| Buildings | 40 years |
| Other Structures and Improvements | 10 years |
| Furniture, Machinery and Equipment | 5-10 years |
| Assets Under Capital Leases and Leasehold Improvements | 10 years |

CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED BY INDIAN RIVER STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Pursuant to the provisions of Chapter 250, Part III, Florida Statutes, State Board of Education rules and Board policies, employees earn annual vacation and sick leave based on the length of service, but subject to certain limitations regarding the amount that will be paid upon termination. These earnings for accumulated leave are recorded as a liability CLARK's financial statements.

NOTE B – CASH AND CASH EQUIVALENTS

Cash as reported on the Statement of Net Position, includes the following:

| | |
|------------------|---------------------|
| Checking | \$ 897,637 |
| Cash equivalents | <u>1,729,059</u> |
| Total Cash | <u>\$ 2,626,696</u> |

Cash for the operation of CLARK is combined with other cash of the District Board of Trustees of Indian River State College.

Banks qualified as public depositories under Chapter 280, Florida Statutes hold cash deposits of the College. In addition to insurance provided by the Federal Depository Insurance Corporation, all demand deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds and are collateralized under the provisions of the state statute noted above.

CLARK follows the Indian River State College investment policy.

Interest Rate Risk - The investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The investment policy of the college limits investments to certain fixed income securities.

Concentration of Credit Risk - The investment policy places a limit on the amount it may invest in any one investment type.

The types of deposits and investments and their level of risk exposure as of June 30, 2016 were typical of these items during the fiscal year then ended. The school considers any decline in fair value for certain investments to be temporary.

CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED BY INDIAN RIVER STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE C – CHANGES IN CAPITAL ASSETS

A summary of changes in Capital Assets follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|------------|-------------|-------------------|
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ 13,549 | \$ - | \$ (13,549) | \$ - |
| Capital assets being depreciated: | | | | |
| Furniture and equipment | 75,003 | 21,646 | - | 96,649 |
| Other structures and improvements | 413,787 | 27,468 | - | 441,255 |
| Accumulated depreciation | (203,539) | (54,231) | - | (257,770) |
| Total Capital Assets Being Depreciated | 285,251 | (5,117) | - | 280,134 |
| Capital Assets, Net | \$ 298,800 | \$ (5,117) | \$ (13,549) | \$ 280,134 |

NOTE D – ACCRUED COMPENSATED ABSENCES

A summary of changes in accrued compensated absences follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|----------------------|----------------------|-----------|------------|-------------------|
| Compensated absences | \$ 64,155 | \$ 3,451 | \$ (2,181) | \$ 65,425 |

NOTE E – RETIREMENT PLAN

Most employees working in regularly established positions of the College are covered by the Florida Retirement system, a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (the "Plan"). All instructors and supporting staff of CLARK are employed by Indian River State College. Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 605 Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible and must enroll as members of the Plan.

Benefits vest at specified ages or number of years of service depending upon the employee's classification. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED BY INDIAN RIVER STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE E – RETIREMENT PLAN (CONTINUED)

A Deferred Retirement Option Program (“DROP”), subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with the Florida Retirement System employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest. CLARK did not have any employees enrolled in the Deferred Retirement Option Program for the fiscal year ended June 30, 2016.

The Plan’s financial statements and other supplemental information are included in the State’s Comprehensive Annual Financial Report, which may be obtained by contacting the Florida Department of Financial Services in Tallahassee, Florida. Also, an annual report on the Plan, which includes its financial statements, required supplemental information, actuarial report and other relevant information may be obtained from the Florida Department of Management Services, Division of Retirement in Tallahassee, Florida.

The contribution rates for Plan members are established, and may be amended, by the State of Florida. Contribution rates during the fiscal year ended June 30, 2016 are presented in the following table:

| <u>Class or Plan</u> | <u>Percent of Gross Salary</u> | |
|---|--------------------------------|---------------------|
| | <u>Employee</u> | <u>Employer (A)</u> |
| Florida Retirement System, Regular | 3% | 7.26% |
| Florida Retirement System, CCORP | 3% | 7.80% |
| Florida Retirement System, Special Risk | 3% | 22.04% |
| Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan | 0% | 12.88% |
| Florida Retirement System, Reemployed Retiree | (B) | (B) |

(A) Employer rates include the post-employment health insurance subsidy of 1.66 percent and .04 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The College recognizes the unfunded pension obligation at the entity level. Any amount of this obligation allocable to CLARK is deemed immaterial.

CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED BY INDIAN RIVER STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE E – RETIREMENT PLAN (CONTINUED)

CLARK's liability for participation in the Plan is the payment of the required contribution at the rates and frequencies established by law on future payrolls of CLARK. The CLARK's employer contributions to the Plan for the fiscal years ended June 30, 2016, 2015, and 2014 totaled \$55,423, \$60,176, and \$61,115, respectively, which were equal to the required contributions for the fiscal year. Effective July 1, 2011, employees were required to contribute 3% and the employer contribution rate was reduced for all membership. The employee contribution portion for the fiscal year ended June 30, 2016, 2015 and 2014 was \$24,060, \$24,915, and \$22,298, respectively.

Public Employee Optional Retirement Program (PEORP) – Pursuant to Section 121.4501, Florida Statutes, and the Florida Legislature created a defined contribution program called the Public Employee Optional Retirement Program. The program is an option to the Florida Retirement System and is self-directed by the employee. A retirement account is established for each employee who selects this option and an employer contribution is directed to the individual account. The employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave the Florida Retirement System. CLARK had four employees enrolled in the Program for the fiscal year ended June 30, 2016, 2015 and 2014 and required contributions of \$18,286, \$14,463 and \$13,844, respectively, were made to the plan.

NOTE F – INDIRECT COST ALLOCATION

CLARK's operating expenses do not include any indirect operating costs of the College, such as facility rent, finance, payroll and administrative services performed by the College. These services are provided by the College at no cost to CLARK.

NOTE G – RISK MANAGEMENT

CLARK is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. CLARK is insured for these risks through the Florida Community Colleges Risk Management Consortium. The Consortium was created under authority of Section 1001.64(27), Florida Statutes by the Boards of Trustees of the Florida Public Community Colleges for the purpose of joining a cooperative effort to develop, implement and participate in a coordinated statewide community college risk management program. The Consortium is to be self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Insurance coverage obtained through the Consortium included health, dental, fire and extended property, general and automobile liability, workers' compensation and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

SUPPLEMENTAL INFORMATION

CLARK ADVANCED LEARNING CENTER
A CHARTER SCHOOL OPERATED BY INDIAN RIVER STATE COLLEGE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2016

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|----------------------|------------------------------|------------------|------------------|---------------------------|
| Assets | | | | |
| Cash | \$ 30,583 | \$ 47,637 | \$ 38,694 | \$ 39,526 |
| Liabilities | | | | |
| Agency funds on hand | \$ 30,583 | \$ 47,637 | \$ 38,694 | \$ 39,526 |



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**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 Trustees
Clark Advanced Learning Center
A Charter School Operated by
Indian River State College
Fort Pierce, Florida

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 Clark Advanced Learning Center, A Charter School Operated by Indian River State College, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Clark Advanced Learning Center's basic financial statements, and have issued our report thereon dated October 11, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clark Advanced Learning Center'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clark Advanced Learning Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clark Advanced Learning Center'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.



Board of Trustees
Clark Advanced Learning Center
A Charter School Operated by
Indian River State College

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 have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clark Advanced Learning Center'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*.

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.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants, PL
Fort Pierce, Florida

October 11, 2016



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Management Letter

To the Board of Trustees
Clark Advanced Learning Center
A Charter School Operated by
Indian River State College
Fort Pierce, Florida

Report on the Financial Statements

We have audited the financial statements of the Clark Advanced Learning Center, A Charter School Operated by Indian River State College, Florida, as of and for the year ended June 30, 2016, and have issued our report thereon dated October 11, 2016.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States; 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 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*. Disclosures in that report which is dated October 11, 2016 should be considered in conjunction with this management letter.

Prior Audit Findings

The Rules of the Auditor General (Section 10.854(1)(e)1.) 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. There were no findings or recommendations made in the preceding audit report.

Financial Condition

Rules of the Auditor General (Sections 10.854(1)(e)2. requires a statement be included as to whether or not Clark Advanced Learning Center 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 Clark Advanced Learning Center did not meet any of the conditions described in Section 218.503(1), Florida Statutes.



Board of Trustees
Clark Advanced Learning Center
A Charter School Operated by
Indian River State College

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 Clark Advanced Learning Center. It is management's responsibility to monitor the Clark Advanced Learning Center'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

Rules of the Auditor General (Sections 10.854(1)(e)7 and 10.855(13)) require that we apply appropriate procedures to determine whether Clark Advanced Learning Center, A Charter School Operated by Indian River State College maintains on its web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Clark Advanced Learning Center, A Charter School Operated by Indian River State College maintained on its web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

Rules of the Auditor General (Section 10.854(1)(e)3.) 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.

Rules of the Auditor General (Section 10.854(1)(e)4.) 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 warrants the attention of those charges 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 Representative, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

October 11, 2016