



BREVARD ACHIEVEMENT CENTER, INC.

Financial Statements

Year Ended September 30, 2013

BREVARD ACHIEVEMENT CENTER, INC.

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September 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Brevard Achievement Center, Inc.

We have audited the accompanying financial statements of Brevard Achievement Center, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' 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 standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2012 financial statements, and our report dated December 26, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state projects, as required by Chapter 10.650, Rules of the Florida Auditor General, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 March 12, 2014, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Carr Riggs & Ingram, LLC

Melbourne, Florida
March 12, 2014

BREVARD ACHIEVEMENT CENTER, INC.

Statement of Financial Position

September 30, 2013 with comparative totals for September 30, 2012

ASSETS	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 9,673,312	\$ 9,655,447
Investments	1,718,060	1,054,736
Unconditional promises to give:		
United Way Services funding for the next fiscal year	106,958	109,500
Accounts receivable	2,795,296	2,908,975
Grants receivable	44,580	154,880
Inventory	216,182	173,208
Prepaid expenses	151,971	125,889
Deposits on leased property	1,925	1,925
Property and equipment net of accumulated depreciation of \$2,894,894 and \$2,750,094, respectively	<u>1,541,023</u>	<u>1,648,775</u>
Total assets	<u><u>\$ 16,249,307</u></u>	<u><u>\$ 15,833,335</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 379,781	\$ 412,943
Deferred revenue	238,677	-
Accrued expenses	<u>1,434,460</u>	<u>1,459,204</u>
Total liabilities	<u><u>2,052,918</u></u>	<u><u>1,872,147</u></u>
Net assets		
Unrestricted		
Board designated	264,851	415,213
Undesignated	<u>13,824,580</u>	<u>13,436,475</u>
Total unrestricted	<u>14,089,431</u>	<u>13,851,688</u>
Temporarily restricted for subsequent year's operations	<u>106,958</u>	<u>109,500</u>
Total net assets	<u><u>14,196,389</u></u>	<u><u>13,961,188</u></u>
Total liabilities and net assets	<u><u>\$ 16,249,307</u></u>	<u><u>\$ 15,833,335</u></u>

BREVARD ACHIEVEMENT CENTER, INC.

Statement of Activities

For the year ended September 30, 2013 with comparative totals for the year ended September 30, 2012

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
Public support				
Federal grants	\$ 44,580	\$ -	\$ 44,580	\$ 230,913
State grants	459,559	-	459,559	309,743
United Way funding for next fiscal year	-	106,958	106,958	109,500
Contributions	125,280	-	125,280	87,505
Fundraising	44,237	-	44,237	59,990
Expiration of time restrictions on United Way funding	109,500	(109,500)	-	-
Revenues				
Retail sales and contract services	20,672,574	-	20,672,574	21,465,095
Medicaid waiver	624,822	-	624,822	631,570
Unrealized gain on investments	37,866	-	37,866	90,752
Interest and dividend income	45,721	-	45,721	47,136
Other income	-	-	-	6,043
Total public support and revenues	<u>22,164,139</u>	<u>(2,542)</u>	<u>22,161,597</u>	<u>23,038,247</u>
Expenses				
Program services				
Employment contracts	15,424,388	-	15,424,388	15,801,849
Rehabilitation programs	5,273,818	-	5,273,818	4,802,387
Supporting services				
Management and general	1,206,118	-	1,206,118	1,139,521
Fundraising	22,072	-	22,072	12,862
Total expenses	<u>21,926,396</u>	<u>-</u>	<u>21,926,396</u>	<u>21,756,619</u>
Increase/(Decrease) in net assets	237,743	(2,542)	235,201	1,281,628
Net assets, beginning of year	<u>13,851,688</u>	<u>109,500</u>	<u>13,961,188</u>	<u>12,679,560</u>
Net assets, end of year	<u>\$ 14,089,431</u>	<u>\$ 106,958</u>	<u>\$ 14,196,389</u>	<u>\$ 13,961,188</u>

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

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BREVARD ACHIEVEMENT CENTER, INC.

Statement of Functional Expenses

For the year ended September 30, 2013 with comparative totals for the year ended September 30, 2012

Expenses	2013			
	Program Services		Supporting Services	
	Employment Contracts	Rehabilitation Programs	Management and General	Fundraising
Client support	\$ -	\$ 2,333	\$ 3,765	\$ -
NISH commissions	619,761	-	-	-
RESPECT commissions	-	129,183	-	-
Communications	28,986	35,678	4,269	-
Employee benefits	3,853,148	446,489	212,751	-
Insurance	113,658	77,906	3,289	-
Leased and non-capital equipment	21,189	43,747	445	-
Maintenance and repair	38,468	41,324	3,732	-
Membership	2,593	10,844	3,377	-
Miscellaneous	10	89	29	-
Postage	11,258	6,403	1,066	885
Printing and publication	2,728	14,611	3,253	-
Professional services	115,665	90,618	15,617	5,060
Public education	24,184	19,798	2,944	4,586
Salaries	9,576,227	2,243,201	919,856	8,336
Supplies	805,558	1,847,597	9,749	2,697
Taxes	1,171	7,482	529	508
Training	5,211	4,145	4,007	-
Travel	96,408	60,773	2,993	-
Utilities	1,870	51,158	6,513	-
Total expenses before depreciation and loss on disposal of equipment	15,318,093	5,133,379	1,198,184	22,072
Loss on disposal of equipment	3,981	5,213	284	-
Depreciation	102,314	135,226	7,650	-
Total expenses	\$ 15,424,388	\$ 5,273,818	\$ 1,206,118	\$ 22,072

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

2013 <u>Total</u>	2012 <u>Total</u>
\$ 6,098	\$ 6,425
619,761	660,823
129,183	153,253
68,933	57,778
4,512,388	4,436,771
194,853	196,088
65,381	63,288
83,524	99,775
16,814	17,042
128	1
19,612	17,319
20,592	21,090
226,960	226,369
51,512	61,847
12,747,620	12,662,788
2,665,601	2,653,048
9,690	7,532
13,363	20,581
160,174	134,551
59,541	58,298
<u>21,671,728</u>	<u>21,554,667</u>
9,478	-
<u>245,190</u>	<u>201,952</u>
<u><u>\$ 21,926,396</u></u>	<u><u>\$ 21,756,619</u></u>

BREVARD ACHIEVEMENT CENTER, INC.

Statement of Cash Flows

For the year ended September 30, 2013 with comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Cash received from customers and other sources	\$22,076,935	\$22,222,693
Grants received	504,139	540,656
Interest and dividends received	45,721	47,500
Cash paid to suppliers	(4,582,954)	(4,547,718)
Cash paid for employees and employee benefits	(17,215,736)	(17,055,287)
Net cash provided by operating activities	<u>828,105</u>	<u>1,207,844</u>
Cash flows from investing activities		
Purchase of investments	(663,324)	(113,286)
Proceeds from sale of property and equipment	3,446	-
Purchases of property and equipment	(150,362)	(300,199)
Net cash used in investing activities	<u>(810,240)</u>	<u>(413,485)</u>
Net increase in cash and cash equivalents	17,865	794,359
Cash and cash equivalents, beginning of year	<u>9,655,447</u>	<u>8,861,088</u>
Cash and cash equivalents, end of year	<u>\$ 9,673,312</u>	<u>\$ 9,655,447</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in net assets	\$ 235,201	\$ 1,281,628
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	245,190	201,952
Loss on sale of property and equipment	9,478	-
(Increase) decrease in:		
United Way funding for next fiscal year	2,542	(12,500)
Accounts receivable	113,679	(111,203)
Grants receivable	110,300	(104,059)
Inventory	(42,974)	(65,262)
Prepaid expenses	(26,082)	20,587
Accrued interest receivable	-	364
Deposits on leased property	-	75
(Decrease) increase in:		
Accounts payable	(33,162)	39,860
Deferred revenue	238,677	-
Accrued expenses	(24,744)	(43,598)
Net cash provided by operating activities	<u>\$ 828,105</u>	<u>\$ 1,207,844</u>

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

BREVARD ACHIEVEMENT CENTER, INC.

Notes to Financial Statements

September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AGENCY – Brevard Achievement Center, Inc. (the “Organization”) is a nonprofit organization created to provide work-oriented rehabilitation programs and sheltered employment to disabled citizens of Brevard County, Florida. The Organization receives support from public contributions, federal and state grants, retail sales and contract services.

BASIS OF ACCOUNTING – The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Under these standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had unrestricted and temporarily restricted net assets as of September 30, 2013 of \$14,089,431 and \$106,958, respectively. The Organization had no permanently restricted net assets as of September 30, 2013.

SUBSEQUENT EVENTS – Subsequent events have been reviewed through the date of this report, the date the financial statements were available to be issued.

TAX STATUS – The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and has been determined to be an organization which is not a private foundation. Contributions to the Organization are qualified as deductions for charitable contributions.

CASH AND CASH EQUIVALENTS – For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

RESTRICTED AND UNRESTRICTED REVENUE AND SUPPORT – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

ACCOUNTS AND GRANTS RECEIVABLE – Accounts and grants receivable are stated at unpaid balances. The Organization has receivables for grant funding and for services provided during the fiscal year to commercial concerns in conjunction with its employment programs. The Organization considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is considered necessary.

BREVARD ACHIEVEMENT CENTER, INC.

Notes to Financial Statements

September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS – Investments at year end consist of a combination of equities and common stocks, exchange trade funds, mutual funds, and corporate bonds, which are stated at fair value. Unrealized gains and losses are included in the change in net assets. The corporate bonds are fixed rate bonds which yield interest of approximately 4.00%.

INVENTORY – Inventories are valued at the lower of cost or market with cost determined principally under the first-in, first-out method (FIFO).

PROPERTY AND EQUIPMENT – Property and equipment is defined by the Organization as assets with an initial individual cost of \$500 or more and an estimated useful life in excess of three years. Such assets are recorded at cost or, if donated, at the approximate fair value at the date of donation. Donated assets are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is based on the straight-line method over the following estimated useful lives of the related assets:

Vehicles	5-7 years
Equipment	3-20 years
Building and improvements	10-40 years

DONATED SERVICES – Donated services with an estimated value of \$12,889 for the year ended September 30, 2013, were not recognized in the financial statements because the criteria for recognition under generally accepted accounting principles were not met.

DEFERRED REVENUE – Deferred revenue represents funds received under a grant that has exchange like characteristics since it has performance criteria that must be met, or, if not met, the funds must be returned to the granting agency. All deferred revenue will be realized during the subsequent year upon performance of the criteria or remitted back to the donor.

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

ADVERTISING – Advertising costs are expensed as incurred. Advertising expense totaled \$11,878 for the year ended September 30, 2013.

BOARD DESIGNATED – Board designated funds are monies subject to a condition placed by the Organization's Board of Directors on how an amount of money is to be used. The designation by the Organization was to use the funds for the purchase of fixed assets. These funds are considered unrestricted because the condition was not specified by a donor.

USE OF ESTIMATES – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BREVARD ACHIEVEMENT CENTER, INC.

Notes to Financial Statements

September 30, 2013

NOTE 2 – PROMISES TO GIVE

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefit(s) received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of September 30, 2013, there were unconditional promises to give of \$106,958. The promises to give will be received in 2013 and are considered to be fully collectable.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 825-10, *Disclosure about Fair Value of Financial Instruments*, requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, investments in corporate bonds and equities, accounts receivable and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

NOTE 4 – FAIR VALUE MEASUREMENT

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the standard are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at September 30, 2013.

BREVARD ACHIEVEMENT CENTER, INC.

Notes to Financial Statements

September 30, 2013

NOTE 4 – FAIR VALUE MEASUREMENT (CONTINUED)

Equity/Common Stock – Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange Trade Funds – Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds – Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds – Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets recorded at fair value as of September 30, 2013:

	Fair Value	Level 1	Level 2	Level 3
Equities/common stock	\$ 49,535	\$ 49,535	\$ -	\$ -
Exchange trade funds	229,696	229,696	-	-
Mutual funds	1,335,510	1,335,510	-	-
Corporate bonds	103,319	-	103,319	-
	<u>\$ 1,718,060</u>	<u>\$ 1,614,741</u>	<u>\$ 103,319</u>	<u>\$ -</u>

The Organization's investments are reported at fair value in the accompanying statement of financial position. The carrying amounts reflected in the statement of financial position for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments.

NOTE 5 – PROPERTY AND EQUIPMENT

At September 30, 2013, property and equipment consisted of:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 101,700	\$ -	\$ 101,700
Building and improvements	2,469,469	(1,389,949)	1,079,520
Equipment	1,864,748	(1,504,945)	359,803
Total	<u>\$ 4,435,917</u>	<u>\$ (2,894,894)</u>	<u>\$ 1,541,023</u>

Depreciation expense was \$245,190 for the year ended September 30, 2013.

BREVARD ACHIEVEMENT CENTER, INC.

Notes to Financial Statements

September 30, 2013

NOTE 6 – ACCRUED EXPENSES

A summary of accrued expenses at September 30, 2013 is as follows:

Accrued payroll	\$ 815,410
Accrued vacation	436,918
Accrued fringe benefits and other payables	182,132
Total accrued expenses	<u>\$ 1,434,460</u>

NOTE 7 – OPERATING LEASE

The Organization leases office space under a non-cancelable operating lease for one location as well as various cancelable operating leases for two other locations. Total lease expense for the year ended September 30, 2013 was \$42,377. The future minimum payments for the years ending September 30, 2014 and 2015 are \$24,264, and \$18,739, respectively.

NOTE 8 – CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of the following:

- The Organization maintains its temporary cash investments with two financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). Beginning December 31, 2010, the FDIC began insuring all noninterest-bearing transaction accounts through December 31, 2012. In addition, other deposit accounts are insured up to \$250,000. The Organization's uninsured cash balances total \$9,144,857 at September 30, 2013. The Organization has not experienced any losses on these accounts and management believes the Organization is not exposed to any significant risk on cash accounts.
- The Organization maintains its investments with B.C. Ziegler and Company ("Ziegler"). Ziegler is a member of the Securities Investor Protection Corporation (SIPC). As a result, investor-owned assets held in custody by Ziegler are protected by the SIPC, up to \$500,000. The SIPC provides protection for eligible client assets held in custody by a SIPC member brokerage firm should the SIPC member firm fail financially and become unable to meet the obligations to its clients. SIPC does not protect assets that are not held in custody by a SIPC member. SIPC does not protect against losses due to market fluctuation or for client assets not held by a SIPC member. The Organization's uninsured investment balance totaled \$1,218,060 at September 30, 2013. The Organization has not experienced any losses on these accounts and management believes the Organization is not exposed to any significant risk on investment accounts.
- The Organization's retail sales and contract services activities are conducted primarily with customers located in Brevard County, Florida. As of September 30, 2013, the Organization had accounts receivable of \$1,151,085 (41%) and revenue of \$14,879,440 (68%) from sales in Brevard County, Florida.

BREVARD ACHIEVEMENT CENTER, INC.

Notes to Financial Statements

September 30, 2013

NOTE 8 – CONCENTRATIONS (CONTINUED)

- The Organization had one customer that represented 30% of retail sales and contract services and two customers that represented 32% of accounts receivable for the year ending September 30, 2013.
- During the year ended September 30, 2013, the Organization had one vendor which represented 11% of total accounts payable.

NOTE 9 – 401(k) SAVINGS PLAN

Effective January 1, 2002, the Organization adopted the Brevard Achievement Center 401(k) Savings Plan (the “Plan”). All non-Federal employees are eligible to enter the Plan after completing three months of service with the Organization and attaining the age of 21. Employees may defer up to 25% of their compensation in increments of 1% each Plan year. The Plan also provides for the Organization’s Board of Directors, at their discretion, to make employer matching and profit-sharing contributions each year. The Board elected to match up to 50% on the first 6% of employee contributions for 2013. Employees are eligible to receive employer matching contributions after completing three months of service and attaining the age of 21. Employees are eligible to receive profit sharing contributions after completing one year of service (at least 1,000 hours) and attaining the age of 21. Furthermore, participants must be employed on the last day of the Plan year in order to be eligible for profit-sharing contributions. The Organization serves as the Plan’s administrator. During the fiscal year ended September 30, 2013, the Organization contributed \$54,883 for the matching contributions. No profit sharing contribution was elected for the year ending September 30, 2013.

Effective December 8, 2003, the Organization adopted the Brevard Achievement Center NISH Savings Plan (the “NISH Plan”). All employees under a NISH federal contract are eligible to enter the NISH Plan after completing one year of service if hired on or after April 1, 2006 or three months of service if hired prior to April 1, 2006 and attaining the age of 18. Employees may defer up to 100% of pretax annual compensation. The NISH Plan also provides for the Organization’s Board of Directors, at their discretion, to make discretionary contributions to the NISH Plan. No discretionary employer contributions were made during the year ended September 30, 2013.

NOTE 10 – PRIOR YEAR SUMMARIZED INFORMATION

The amounts shown for the year ended September 30, 2012 in the accompanying financial statements are included to provide a basis for comparison with 2013 and present summarized totals only. Accordingly, the 2012 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization’s financial statements for the year ended September 30, 2012, from which the summarized information was derived.

BREVARD ACHIEVEMENT CENTER, INC.

Notes to Financial Statements

September 30, 2013

NOTE 11 – ACCOUNTING FOR UNCERTAIN INCOME TAX POSITIONS

The Organization is exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code. Therefore, only income from business unrelated to the Organization's charitable purpose is subject to federal or state income tax.

The Organization follows the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities.

As of September 30, 2013, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Additionally, the Organization had no interest and penalties related to income taxes.

With few exceptions, the Organization is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2009.

NOTE 12 – RELATED PARTY TRANSACTIONS

During 2013, the Organization underwent various construction projects that were completed by a company that is majority-owned by a member of the Organization's Board of Directors. During the fiscal year ended September 30, 2013, the Organization paid the company \$19,011 for the construction services, which included a drywall project, a concrete slab project and the removal of a brick wall.

During 2013, the Organization purchased technology services, such as the phone system as well as alarm systems, from a company that is majority-owned by a member of the Organization's Board of Directors. The Organization paid the company \$9,465 during the fiscal year ended September 30, 2013.

The Organization purchased shirts with the Organization's logo from a company that is majority-owned by a member of the Organization's Board of Directors. The Organization paid the company \$44,092 for items that were purchased during the fiscal year ended September 30, 2013. For this product, the Organization utilized a competitive bid process and, in the opinion of management, the product obtained was the most favorable to the Organization.

NOTE 13 – SUBSEQUENT EVENT

At December 31, 2013, approximately \$199,000 of the deferred revenue related to contract WCX02 with the State was not earned and will be returned to the State.

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Brevard Achievement Center, 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 Brevard Achievement Center, Inc. (a nonprofit organization) as of and for the year ended September 30, 2013, and the related notes to the financial statements. and have issued our report thereon dated March 12, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brevard Achievement Center, Inc.'s (the "Organization") internal control over financial reporting (internal control) to determine the auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control that are appropriate in the circumstances. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 the Organization'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 that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
Brevard Achievement Center, Inc.
Page Two

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.

Carr Riggs & Ingram, LLC

Melbourne, Florida
March 12, 2014



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Independent Auditors' Report on Compliance For Each Major State Project; Report on Internal Control Over Compliance and Report on the Schedule of Expenditures of State Financial Assistance Required by Chapter 10.650, Rules of the Florida Auditor General

To the Board of Directors
Brevard Achievement Center, Inc.

Report on Compliance for Each Major State Project

We have audited Brevard Achievement Center, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Organization's major State projects for the year ended September 30, 2013. The Organization's major State projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Florida Auditor General. Those standards and Chapter 10.650, Rules of the Florida Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Florida Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs and corrective action plan as item 2013-001, which we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the *accompanying schedule of findings and questioned costs*. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, Rules of the Florida Auditor General. Accordingly, this report is not suitable for any other purpose.

Carr Riggs & Ingram, LLC
Melbourne, Florida
March 12, 2014

BREVARD ACHIEVEMENT CENTER, INC.

Schedule of Findings and Questioned Costs - State Project

For the year ended September 30, 2013

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? yes No
- Significant deficiency identified? yes none reported

Noncompliance material to financial statements noted? yes

No

State Awards

Internal control over major state projects:

- Material weakness identified? yes No
- Significant deficiency identified? yes none reported

Type of auditors' report issued on compliance for major state projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with

Chapter 10.650, State of Florida Rules

yes

no

Identification of major state project:

State CSFA Number
67.026

State project or Cluster
Brevard Achievement Center

Dollar threshold used to distinguish between type A and B programs was \$100,000 for major state projects.

Auditee qualified as a low-risk auditee for state purposes? yes

no

BREVARD ACHIEVEMENT CENTER, INC.

Schedule of Findings and Questioned Costs - State Project

For the year ended September 30, 2013

FINDINGS - FINANCIAL STATEMENT AUDIT

No matters were reported.

FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE

Agency for Person with Disabilities CSFA #67.026

2013-1 Reporting

CRITERIA: Quarterly financial reports of expenditures were required to be submitted to the State with the accurate amounts spent.

CONDITION: The allocation of fringe cost to the program labor incurred was manually calculated monthly. The monthly calculations were used as a basis for the quarterly financial reports submitted to the granting agency. The calculations prior to June 2013 were incorrect, resulting in the errors in the fringe costs reflected in the quarterly reports.

QUESTIONED COSTS: None.

CONTEXT: We reviewed the fringe allocation when testing expenses to verify amounts reported.

EFFECT: The quarterly reports submitted to the State showed expenditures of \$12,730 less than the actual expenditure. The final report, which was submitted to the state in February of 2014, included adjustments to correctly reflect the true expenditures in total and for each quarter. There was no impact to the granting agency because the actual expenditures were greater than what was reported in the interim reports.

CAUSE OF CONDITION: The manual fringe allocation calculations were not reviewed for accuracy prior to incorporation into the required quarterly financial reports provided to the State.

RECOMMENDATION: We recommend that management review manual fringe allocations for all grants to ensure the amounts are calculated properly.

MANAGEMENT RESPONSE: The intent and purpose of our plan moving forward is to insure accuracy when accounting for actual benefit costs.

This plan of improvement will include increased levels of automation to the process where possible as it is understood that greater potential for mistakes exists when manual review & input is relied upon.

Increased automation to the process will be achieved by the utilization of additional reporting from our payroll system and automated spreadsheet functions to capture actual amounts for benefit costs. These procedures will eliminate many of the possible data entry errors that can occur as a result of manual processing and analysis.

BREVARD ACHIEVEMENT CENTER, INC.

Schedule of Findings and Questioned Costs - State Project

For the year ended September 30, 2013

2013-1 Reporting (continued)

MANAGEMENT RESPONSE (continued):

Testing and implementation of these processes will be reviewed by the Financial Manager to insure the resulting data is accurate. After these processes are implemented and working the results will be reported in program cost and reviewed monthly by the Financial Manager and the VP of Administration.

This plan will be implemented and fully tested by end of May 2014 which will allow for two full monthly reporting cycles.

OTHER ISSUES

No Summary Schedule of Prior Audit Findings is required because this was the entity there were no prior audit findings related to state projects.

No management letter is required because there were no items related to State financial assistance required to be reported.

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BREVARD ACHIEVEMENT CENTER, INC.

Schedule of Expenditures of State Financial Assistance

For the year ended September 30, 2013

<u>State Agency State Project</u>	<u>CSFA No.</u>	<u>Grant/ Contract No.</u>	<u>Total Expenditures</u>
Agency for Persons with Disabilities			
Brevard Achievement Center	67.026	WCX02	<u>\$ 626,762</u>
Total Expenditures of State Financial Assistance			<u><u>\$ 626,762</u></u>

Note A - Significant Accounting Policies:

The Schedule of Expenditures of State Financial Assistance is a summary of the Organization's state financial assistance projects presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

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BREVARD ACHIEVEMENT CENTER, INC.

Corrective Action Plan

For the year ended September 30, 2013

State Project: Agency for Person with Disabilities CSFA #67.026

Finding:

The allocation of fringe cost to the program labor incurred was manually calculated monthly. The monthly calculations were used as a basis for the quarterly financial reports submitted to the granting agency. The calculations prior to June 2013 were incorrect, resulting in the errors in the fringe costs reflected in the quarterly reports.

Recommendation:

We recommend that management review manual fringe allocations for all grants to ensure the amounts are calculated properly.

Management Response:

The intent and purpose of our plan moving forward is to insure accuracy when accounting for actual benefit costs.

This plan of improvement will include increased levels of automation to the process where possible as it is understood that greater potential for mistakes exists when manual review & input is relied upon.

Increased automation to the process will be achieved by the utilization of additional reporting from our payroll system and automated spreadsheet functions to capture actual amounts for benefit costs. These procedures will eliminate many of the possible data entry errors that can occur as a result of manual processing and analysis.

Testing and implementation of these processes will be reviewed by the Financial Manager to insure the resulting data is accurate. After these processes are implemented and working the results will be reported in program cost and reviewed monthly by the Financial Manager and the VP of Administration.

This plan will be implemented and fully tested by end of May 2014 which will allow for two full monthly reporting cycles.