

INTERNATIONAL SCHOOL OF BROWARD, INC.

Basic Financial Statements and Supplementary Information

For the Fiscal Year Ended June 30, 2008



C Borders-Byrd, CPA LLC

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Accountants and Consultants

International School of Broward, Inc.

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C Borders-Byrd, CPA LLC

Accountants and Consultants

## Report of Independent Certified Public Accountants

To the Board of Directors of  
International School of Broward, Inc.  
Hollywood, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of the International School of Broward, Inc. (the "School") as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of School's management. Our responsibility is to express 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and important for assessing the results of our audit.



The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*C Borders-Byrd, CPA LLC*

Fort Lauderdale, Florida  
September 30, 2008

# International School of Broward, Inc.

## Management's Discussion and Analysis

June 30, 2008

Our discussion and analysis of the International School of Broward, Inc.'s ("ISB") financial program provides an overview of ISB's financial activities for the year ended June 30, 2008. Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with ISB's financial statements.

For financial statement purposes, ISB is considered a component unit of the School District of Broward County, which is a primary government entity for financial reporting. ISB has included separate statements for the Balance Sheet of Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds. The Fund Financial Statements reflect financing activities of ISB by providing information on inflows and outflows of spendable resources, while the Statement of Net Assets and the Statement of Activities provide information on the activities of ISB.

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### *Government-wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of ISB's financial position. Included in these statements are all assets and liabilities using the accrual method of accounting. All of the current year's revenues and expenses are recorded when received.

*The Statement of Net Assets* presents information on all of ISB's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of ISB is improving or deteriorating.

*The Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

#### *Fund Financial Statements*

A *Fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

*Governmental Funds* -All of ISB's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the ISB's governmental activities and the basic services it provides.

International School of Broward, Inc.

Management's Discussion and Analysis

June 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

*Notes to the Financial Statements*

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found at the end of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

ISB's liabilities exceeded assets by \$418,914 at June 30, 2008.

<b>Net Assets</b>	
Current Assets	\$ 4,884
Capital Assets	43,060
Total Assets	<u>\$ 47,944</u>
Accounts Payable and Accrued expenses	\$140,023
Long Term Liabilities	326,835
Total Liabilities	<u>466,858</u>
Net Assets	\$ ( 418,914)

Revenues for governmental activities totaled \$407,380 for the year ended June 30, 2008.

<u>Revenue Source</u>	<u>Amount</u>	<u>% of Total</u>
Broward County Public Schools	\$ 317,772	78%
Contributions	43,233	11%
Other Revenues	46,375	11%
Total Revenues	<u>\$ 407,380</u>	

International School of Broward, Inc.

Management's Discussion and Analysis

June 30, 2008

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Expenses for major functions of ISB are shown in the following table:

<u>Program</u>	<u>Amount</u>	<u>% of Total</u>
Instruction Services	\$ 419,199	44%
Instruction Support	25,879	3%
General Administration	58,051	6%
School Administration	189,295	20%
Food Services	12,064	2%
Operation and maintenance of Plant	238,955	25%
Total	<u>\$ 943,443</u>	<u>100%</u>

Budget Highlights

Initial forecast was to have 225 students enrolled at ISB by the end of the first year. Actual numbers were much lower at 58 students. Even though there was a significant difference in budgeted vs. actual income, ISB was able to continue to provide superior educational services by:

- Fundraising, Donations, and Other Revenue
- Cutting expenses
- Liabilities – loans were taken out to continue operations

Prospects for the Future

ISB has embarked on an aggressive marketing campaign. Results are that 148 students will attend ISB when school opens in August 2008. Total Revenue will allow for continued operations and payment of debt service and other liabilities.

International School of Broward, Inc.

Statement of Net Assets

June 30, 2008

<b>Assets</b>	<u>Governmental Activities</u>
Current assets	
Cash	\$ 3,567
Accounts receivable	149
Other assets	<u>1,168</u>
Total current assets	4,884
Capital assets, net	43,060
Total assets	<u><u>\$ 47,944</u></u>
 <b>Liabilities and net deficit</b>	
Liabilities:	
Current liabilities	
Accounts payable	\$ 74,286
Accrued expenses	65,737
Related party loans payable	<u>326,835</u>
Total current liabilities	466,858
Net Deficit:	
Invested in capital assets, net of related debt	40,560
Unrestricted net deficit	<u>(459,474)</u>
Total net deficit	<u>(418,914)</u>
Total liabilities and net deficit	<u><u>\$ 47,944</u></u>

*See accompanying notes to the basic financial statements.*

International School of Broward, Inc.

Statements of Activities

For the Fiscal Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instructional services	\$ 419,199	\$ -	\$ 43,233	\$ -	\$ (375,966)
Instructional support services	25,879	30,819	-	-	4,940
Operation and maintenance of plant	238,955	0	-	-	(238,955)
School administration	189,295	0	-	-	(189,295)
General administration	58,051	0	-	-	(58,051)
Food services	12,064	16,378	-	-	4,314
Total expenses	<u>\$ 943,443</u>	<u>\$ 47,197</u>	<u>\$ 43,233</u>	<u>\$ -</u>	<u>(853,013)</u>

General Revenues

State through local school district

316,950

Changes in net assets (deficit)

(536,063)

Net assets, beginning of the year

117,149

Net assets (deficit), end of year

\$ (418,914)

*See accompanying notes to the basic financial statements.*

International School of Broward, Inc.

Balance Sheet - Governmental Funds

June 30, 2008

	<u>General Fund</u>
<b>Assets</b>	
Cash	\$ 3,567
Accounts receivable	149
Other assets	<u>1,168</u>
Total assets	<u><u>\$ 4,884</u></u>
<b>Liabilities and fund balance</b>	
Liabilities:	
Accounts payable	\$ 74,286
Accrued expenses	<u>60,837</u>
Total liabilities	135,123
Fund Balance:	
Unrestricted fund balance (deficit)	<u>(130,239)</u>
Total fund balance	<u>(130,239)</u>
Total liabilities and fund balance	<u><u>\$ 4,884</u></u>

*See accompanying notes to the basic financial statements.*

International School of Broward, Inc.

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets

June 30, 2008

<b>Fund balance - Governmental Funds</b>		\$	(130,239)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds			
Governmental capital assets	\$	66,457	
Less: accumulated depreciation		<u>(23,397)</u>	
			43,060
Long-term debt used in governmental activities are not current liabilities and therefore not reported in governmental funds			
			(326,835)
Accrued interest payable on related party loans			<u>(4,900)</u>
<b>Net assets - Governmental Activities</b>		<u>\$</u>	<u>(418,914)</u>

*See accompanying notes to the basic financial statements.*

International School of Broward, Inc.

Statements of Revenues, Expenditures, and Changes in Fund Balance -  
Governmental Funds

For the Fiscal Year Ended June 30, 2008

<b>Revenues</b>	<u>General Fund</u>
Charges for services	\$ 47,197
State passed through local school district	316,950
Contributed support	43,233
Total revenue	<u>407,380</u>
<b>Expenditures</b>	
Current	
Instructional services	419,199
Instructional support services	25,879
Operation and maintenance of plant	236,455
School administration	189,295
General administration	33,571
Food services	12,064
Debt Service	
Principal retirement	56,400
Capital Outlay	48,163
Total expenses	<u>1,021,026</u>
Excess (deficiency) of revenues over (under) expenditures	(613,646)
<b>Other Financing Sources and (Uses):</b>	
Proceeds from related party loans	383,235
Total other financing sources and uses	<u>383,235</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(230,411)
Fund balance, beginning of year	100,172
Fund balance, end of year	<u>\$ (130,239)</u>

*See accompanying notes to the basic financial statements.*

International School of Broward, Inc.

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balance of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2008

**Net change in fund balance - governmental funds** \$ (230,411)

Amounts reported for governmental activities in the statement of net assets  
are difference because:

Government funds report capital outlay as expenditures. However, in the  
Statement of Activities, the cost of those assets is depreciated over their  
estimated useful lives.

Capital Outlay	48,163	
Depreciation Expense	<u>(19,580)</u>	
		28,583

The issuance of debt (related party loans payable) provides current financial  
resources to governmental funds, while the repayment of the principal  
consumes current financial resources of the government funds.

Proceeds from Related Party Loans Payable	(383,235)	
Principal Repayment	<u>56,400</u>	
		(326,835)

Other expense for governmental activities (7,400)

**Changes in net assets - governmental activities** \$ (536,063)

*See accompanying notes to the basic financial statements.*

# International School of Broward, Inc.

## Notes to the Basic Financial Statements

June 30, 2008

### **1. Nature of Operations**

International School of Broward, Inc. ("ISB") operates as a Charter School pursuant to a Charter School Contract ("the Contract or Charter") with the School Board of Broward County, Florida ("the District"). Under the Contract, ISB provides a middle and high school education to children who reside in Broward County. The governing body of ISB is the Board of Directors. ISB is a non-profit organization and is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

The general operating authority of ISB is under Florida Statutes 1002.33 as a Charter School Contract with the School Board of Broward County, Florida. Under the Charter, ISB provides education to children from the sixth through the ninth grade in Broward County.

### **2. Summary of Significant Accounting Policies**

#### **Basis of Presentation**

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

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information on all of the nonfiduciary activities of ISB. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as ISB does not engage in any business type activities.

## International School of Broward, Inc.

### Notes to the Basic Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Government-Wide and Fund Financial Statements (continued)**

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets, restricted net assets; and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs ISB has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about ISB's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All of ISB's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

##### **Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

International School of Broward, Inc.

Notes to the Basic Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Measurement focus, basis of accounting, and financial statement presentation (continued)**

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

ISB's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. ISB reports the following major governmental fund:

*General Fund* -the general operating fund of ISB. It is used to account for all financial resources not required to be accounted for in another fund.

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

International School of Broward, Inc.

Notes to the Basic Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Comparison of Budget to Actual Results**

ISB's annual budgets are adopted for the entire operations for ISB and may be amended by the Board of Directors (the "Board"). The budget is prepared in accordance with the modified accrual basis of accounting. The budget to actual comparison schedule is presented a Required Supplementary Information (RSI). The operation and maintenance of plant actual expenditures exceeded the budgeted amount. Expenses were incurred by the School to meet regulatory requirements that were not planned. Additionally, the original budget did not plan for food services. Accordingly, amounts expended for food services exceeded the budgeted amounts.

**Cash**

Cash include cash in a checking account held at a financial institution.

**Capital Assets**

Capital assets, which include property and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by ISB as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. For the year ended June 30, 2008, ISB received donated property and ISB was unable to determine the fair market value of the donated property on the date of donation

Property and equipment of ISB is depreciated using the straight-line method over the following asset type and estimated useful lives: Leasehold improvements - 3 years and Furniture, Fixtures and Equipment - 5 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**Revenue Sources**

Revenues for current operations are received primarily from the State of Florida passed through the District to ISB pursuant to the funding provisions included in ISB's Charter. In accordance with the funding provisions of the Charter and Section 1002.33(18), Florida Statutes, ISB reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida

International School of Broward, Inc.

Notes to the Basic Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Revenue Sources (continued)**

Department of Education (FDE) for funding. Funding for ISB is adjusted during the year to reflect revised calculations by the FDE under the FEFP and actual weighted FTE students reported by ISB during designated FTE student survey periods. Other revenues may be derived from various fundraising activities, donations and certain other programs.

**Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**2. Concentrations**

As stated in Note 1, ISB receives revenues for current operations primarily from the State of Florida through the District. Revenues from the District for the year ended June 30, 2008 accounted for 78% of revenues.

**3. Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets depreciated				
Leasehold improvements	\$14,684	\$38,142	\$ -	\$52,826
Furniture, fixtures and equipment	3,610	10,021	-	13,631
Total depreciable capital assets	18,294	48,163	-	66,457
Less: Accumulated depreciation				
Leasehold improvements	3,814	16,857	-	20,671
Furniture, fixtures and equipment	-	2,726	-	2,726
Total governmental activities – capital assets	\$14,480	\$28,580	\$ -	\$43,060

International School of Broward, Inc.

Notes to the Basic Financial Statements (continued)

**4. Cash**

ISB maintains cash deposits at two banks in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000. As of June 30, 2008, there were no uninsured deposit balances.

**5. Commitments**

ISB leased property during the year for its administrative and classroom space under a non-cancelable operating lease that expires in June 30, 2008. Future minimum lease payments required under the lease agreements are approximately as follows:

<u>June 30:</u>	<u>Amount</u>
2009	\$233,408
2010	212,470
2011	13,200
2012	13,200
2013	1,100

Rent expense for fiscal 2008 was approximately \$208,024.

**6. Risk Management**

ISB is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. ISB purchases commercial insurance for all material risks of loss to which ISB is exposed, including general liability, property and workers compensation.

**7. Loans Payable to Related Parties**

ISB entered into several loans with members of the Board of Directors to fund its operating deficit during the year ended June 30, 2008. As of June 30, 2008, Loans payable to Related Parties are \$324,335. The loans are considered current and bear interest at a rates of 3 – 5% annually.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Related Party Loans Payable	\$ -	\$383,235	\$56,400	\$326,835	\$326,835

International School of Broward, Inc.

Notes to the Basic Financial Statements (continued)

**8. Deficit Fund Equity**

The School during its first full year of operations had accumulated deficits in the General Fund, and in the Government-Wide financial statements. For the next school year, several measures will be undertaken to decrease these deficits:

1. Increase Student Enrollment: Enrollment has increased from 58 students in the 2007-2008 school year to 150 students at the beginning of the 2008-2009 school year. Advertising will help attract more students to reach the project goal of 160 students for the 2008-2009 school year. With the increased students, funding will increase substantially.
2. Continued Focus on Controlling and Monitoring Expenses: Increased funding will allow payment of all fixed costs and variable costs associated with the new students. A large part of the expenses that led to the deficit were from opening the school. These expenses no longer exist. The funds that had gone into this area will be used to decrease the deficit.
3. Additional Fundraising and Donations: A higher student base will allow the school access to higher donations. Several fundraising efforts are planned for the next school year, and these are forecasted to produce income that can be used to decrease the deficit and pay off loans.

## Supplementary Information

International School of Broward, Inc.

Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Governmental Funds

For the Fiscal Year Ended June 30, 2008

	<b>Original and Final Approved Budget</b>	<b>General Fund</b>	<b>Variance</b>
<b>PROGRAM REVENUES:</b>			
Charges for services	\$ 206,525	\$ 47,197	\$ (159,328)
State passed through local school district	1,012,571	316,950	(695,621)
Total program revenues	<u>1,219,096</u>	<u>364,147</u>	<u>(854,949)</u>
<b>GENERAL REVENUES:</b>			
Grants and contributions unrestricted	<u>130,000</u>	<u>43,233</u>	<u>(86,767)</u>
Total general revenues			
Total Revenues	<u>1,349,096</u>	<u>407,380</u>	<u>(941,716)</u>
<b>EXPENSES:</b>			
Instructional services	493,928	419,199	74,729
Instructional support services	81,197	25,879	55,318
Operation and maintenance of plant	160,051	236,455	(76,404)
School administration	143,085	189,295	(46,210)
General administration	142,640	33,571	109,069
Food services	-	12,064	(12,064)
Total expenses	<u>1,020,901</u>	<u>916,463</u>	<u>104,438</u>
Debt Service			
Principal retirement	-	56,400	(56,400)
Capital Outlay	<u>-</u>	<u>48,163</u>	<u>(48,163)</u>
Total expenses	1,020,901	1,021,026	(125)
Excess (deficiency) of revenues over (under) expenditures	328,195	(613,646)	(941,841)
<b>Other Financing Sources and (Uses):</b>			
Proceeds from related party loans	<u>-</u>	<u>383,235</u>	<u>383,235</u>
Total other financing sources and uses	-	383,235	383,235
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	328,195	(230,411)	(558,606)
Fund Balance, beginning of year		<u>100,172</u>	
Fund Balance, end of year		<u>\$ (130,239)</u>	



C Borders-Byrd, CPA LLC

Accountants and Consultants

Report of Independent Certified Public Accountants 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  
International School of Broward, Inc.  
Hollywood, Florida

We have audited the financial statements of International School of Broward, Inc. (the “School”) for the year ended June 30, 2008 and have issued our report thereon dated September 30, 2008. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the School’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the School’s financial statements that is more than inconsequential will not be prevented or detected by the organization’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School’s internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We noted certain other matters that we reported to management of the School in a separate letter dated September 30, 2008.

This report is intended solely for the information and use of management, Board of Directors, regulatory agencies of the Federal and state governments and the School Board of Broward County and is not intended to be and should not be used by anyone other than these specified parties.

*C Borders-Byrd, CPA LLC*

Fort Lauderdale, Florida  
September 30, 2008



**C Borders-Byrd, CPA LLC**  
Accountants and Consultants

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### **Management Letter and State Reporting Requirements**

To the Board of Directors of  
International School of Broward, Inc.  
Hollywood, Florida

In planning and performing our audits of the financial statements of the International School of Broward, Inc. (the "School") for the year ended June 30, 2008, we considered the School's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated September 30, 2008, on the financial statements of the International School of Broward, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various School personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

#### **C. CURRENT YEAR RECOMMENDATIONS TO IMPROVE FINANCIAL MANAGEMENT**

##### **2008-1 Improper Segregation of Duties**

###### *Observation*

The School's finance function is limited to one person. This person is responsible to opening the mail, received all payments, makes all bank deposits, has access to blank checks, is responsible for preparing the checks for signature and for mailing the checks after signature. These duties are incompatible and do not provide for a proper segregation of duties.



*Recommendation*

Management should review the functions being performed by staff and determine if the incompatible duties can be segregated. Additionally, management should continue to review the detailed transactions and bank reconciliations to identify, if any, inappropriate transactions.

*Management's Response*

We concur with the recommendation and will review the functions currently being performed to strengthen internal controls over cash receipts and disbursements.

**2008-2 Related Party Loan Documents**

*Observation*

During its first year of operations the School experienced cash flow challenges and several members of the Board of Directors made loans to the School for fund operating expenses. Only one of the loans was documented by written agreement.

*Recommendation*

The School's management should ensure that the terms of all contractual commitments are documented in writing as evidence of the commitment and the terms of repayment.

*Management's Response*

We concur with the recommendation and will ensure that contractual agreements are executed documenting all commitments of the School.

**2008-3 Deteriorating Financial Condition**

*Criteria*

Florida Statute 218.503(1) outlines criteria for determination of financial emergency.

*Condition*

The School started operating in 2007. The budget planned for approximately 225 students. The Charter was approved in April 2007 and the classroom space became available in August 2007 which caused the student recruiting to be lower than expected. Anticipated revenues were significantly lower than expected during fiscal 2007/08. This resulted in an operating deficit which was funded by loans from the Board of Directors. Additionally we noted numerous negative financial indicators for the School based upon performing the financial condition assessment procedures outlined by the Office of the Auditor General State of Florida.



### *Context*

This was the Schools first year of operations. The budget for 2008-09 anticipates significant improvements in the operating results. The number of students served for fiscal 2008-09 increased 150% which is expected to significantly improve operating results.

### *Recommendation*

Management should continue its recruitment efforts as a means of improving the operating results of the School. Additionally, management should continue to monitor the operating results and modify the budget accordingly.

### *View of Responsible Officials*

We concur with the finding and recommendations. We will continue to manage the operating results and student recruitment.

## **B. PRIOR YEAR RECOMMENDATIONS**

This is the first full year of operations and there were no prior year recommendations.

## **C. OTHER REQUIRED COMMUNICATIONS**

1. In connection with our audit we noted that the charter school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, as follows:
  - a. Failure for one pay period to pay wages and salaries owed to employees due to lack of funds.
  - b. Total Fund Balance and Net Assets deficits that resources were not available to cover.
2. There were no violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential that was identified within the scope of our audit.
3. Please see Items A and B for recommendations (current and prior) to improve the charter school's financial management, accounting procedures and internal controls.
4. In connection with performing our audit we did not identify any:
  - a. Violations of laws, rules, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred.
  - b. Improper expenditures or illegal acts that would have an immaterial effect on the financial statements.
  - c. Control deficiencies that are not significant deficiencies, including, but not limited to:
    - 1) Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
    - 2) Failures to properly record financial transactions.
    - 3) Inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.



**C. OTHER REQUIRED COMMUNICATIONS (continued)**

5. The official title of ISB is *The International School of Broward, Inc.*, which is a component unit of the School District of Broward County and is a not-for profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Act.
6. We have applied the financial condition assessment procedures pursuant to Rule 10.855(10) See Finding 2008-3 for further discussion.

We wish to express our appreciation for the cooperation and courtesies extended to our representatives during their visits to your office.

This report is intended solely for the information and use of the Board of Directors, management, regulatory agencies of the Federal and state governments and the School Board of Broward County and is not intended to be and should not be used by anyone other than these specified parties.

*C Borders-Byrd, CPA LLC*

Fort Lauderdale, Florida  
September 30, 2008



International School of Broward  
3100 N. 75<sup>th</sup> Avenue  
Hollywood, FL 33024

September 30, 2008

To Whom It May Concern:

We agree with the *Observations* and *Recommendations* on pages 19-21 of the Management Letter and State Reporting Requirements for the financial audit of International School of Broward, Inc. for the school year 2007-2008. A concerted effort will be made by board members, administration, and employees to correct any deficiencies and make improvements to our systems as suggested by the auditor. Our *Management's Responses* to the *Observations* and *Recommendations* are included in the report.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Timothy Hoy', is written over a faint, circular watermark or stamp.

Timothy Hoy  
Vice Chairman, Board of Directors  
International School of Broward, Inc.