

**SUSIE DANIELS  
CHARTER ELEMENTARY  
(A Division of Educational  
Charter Foundation  
of Florida, Inc.)**

**Basic Financial Statements and  
Supplemental Information**

**For the year ended  
June 30, 2008**

**BERMAN HOPKINS  
WRIGHT & LAHAM**  
CPAS AND ASSOCIATES, LLP

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## INDEPENDENT AUDITORS' REPORT

**Partners:**

John R. Hopkins  
James A. Wright, Jr.  
James S. LaHam  
Ross A. Whitley  
W. Ed Moss  
Philip J. Hayes  
Brian L. Nemeroff

To the Board of Directors  
Susie Daniels Charter Elementary  
West Park, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Susie Daniels Charter Elementary (a Charter School), a component unit of the School Board of Broward County, Florida and a division of Educational Charter Foundation of Florida, Inc. (the "Charterholder"), 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 Susie Daniels Charter Elementary's management. 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 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.

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As described in Note A-1, the accompanying financial statements referred to above present only the financial position of Susie Daniels Charter Elementary at June 30, 2008, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of the Charterholder.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Susie Daniels Charter Elementary 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.

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As described in Note I, certain adjustments were applied to restate beginning balances. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2008, on our consideration of Susie Daniels Charter Elementary 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 should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 primarily of inquires 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Susie Daniels Charter Elementary's basic financial statements. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion on them.

September 25, 2008  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## Management's Discussion and Analysis

As management of Susie Daniels Charter Elementary (the "School") we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2008 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the Basic Financial Statements found on pages 8 - 25.

### Financial Highlights

- At the end of the current fiscal year, unreserved fund balance for the general fund was \$36,327.
- The liabilities of the School exceeded its assets at the close of the most recent fiscal year by \$337,685 (net deficit).
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$36,327.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School'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 the School is improving or deteriorating.

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the School District of Broward County, Florida. The School District of Broward County, Florida includes the operations of the School in their operational results.

The government-wide financial statements can be found on pages 8 and 9 of this report.

**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. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains two individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and federal grant fund, both of which are considered to be major funds.

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules have been provided to demonstrate compliance with this budget and can be found on pages 27 - 29 of this report.

The basic governmental fund financial statements can be found on pages 10 - 13 of this report.

**Notes to the financial statements.** The notes 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 starting on page 14 of this report.

## Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. In the case of the School, liabilities exceeded assets by \$337,685 for the year ended June 30, 2008.

### Susie Daniels Charter Elementary Statement of Net Assets

	Governmental Activities		
	2008	2007	Variance
<b>ASSETS</b>			
Current and other assets	\$ 368,543	\$ 221,624	\$ 146,919
Capital assets, net of accumulated depreciation	115,814	1,490	114,324
Total assets	<u>484,357</u>	<u>223,114</u>	<u>261,243</u>
<b>LIABILITIES</b>			
Current and other liabilities	332,216	748,482	(416,266)
Long-term liabilities outstanding	489,826	-	489,826
Total liabilities	<u>822,042</u>	<u>748,482</u>	<u>73,560</u>
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets, net of related debt	115,814	1,490	114,324
Unrestricted (deficit)	<u>(453,499)</u>	<u>(526,858)</u>	<u>73,359</u>
Total net assets (deficit)	<u>\$ (337,685)</u>	<u>\$ (525,368)</u>	<u>\$ 187,683</u>

At the end of the current fiscal year, the School reports a deficit balance for net assets. A portion of the School's net assets (deficit) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

**Susie Daniels Charter Elementary  
Statement of Activities**

	<b>Governmental Activities</b>		
	<b>2008</b>	<b>2007</b>	<b>Variance</b>
Revenues:			
Program revenues:			
Charges for services	\$ 24,264	\$ 5,567	\$ 18,697
Operating grants and contributions	173,586	72,821	100,765
Capital grants and contributions	97,041	-	97,041
General revenues			
State passed through local school district	1,146,848	916,404	230,444
Other revenues	7,140	11,106	(3,966)
Contribution	742,518	47,068	695,450
Total revenues	<u>2,191,397</u>	<u>1,052,966</u>	<u>1,138,431</u>
Expenses:			
Basic instruction	734,205	499,366	234,839
Exceptional instruction	87,377	49,220	38,157
Guidance services	16,154	1,000	15,154
Media services	7,373	696	6,677
Curriculum development	32,558	-	32,558
Staff development	1,515	142	1,373
Board of directors	57,883	270	57,613
School administration	420,319	354,445	65,874
Food services	36,541	30,181	6,360
Plant	530,101	468,014	62,087
Maintenance of plant	122	-	122
Before / after	29,725	-	29,725
Interest expense	25,802	-	25,802
Total expenses	<u>1,979,675</u>	<u>1,403,334</u>	<u>576,341</u>
Change in net assets	<u>\$ 211,722</u>	<u>\$ (350,368)</u>	<u>\$ 562,090</u>

**Financial Analysis of the Government's Funds**

As noted previously, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of The School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

The general fund is the main operating fund of the School. At the end of the current fiscal year, unreserved fund balance of the general fund was \$36,327.

## **General Fund Budgetary Highlights**

Budgeted general fund revenues were greater than the actual revenues by \$284,391. Budgeted expenditures were less than actual expenses by \$296,884.

## **Capital Asset and Debt Administration**

**Capital assets.** The School's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$115,814 (net of accumulated depreciation). This investment in capital assets includes computer software. Additional information on the School's capital assets can be found in Note C of this report.

**Debt Administration.** The School's long-term liabilities at June 30, 2008 totaled \$489,826 an increase of \$245,802 from 2007. Additional information on the School's long-term obligations can be found in Note D.

## **Request for Information**

This financial report is designed to provide a general overview of School's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 2201 SW 42<sup>nd</sup> Avenue, West Park, FL 33023.

**Susie Daniels Charter Elementary**  
**(A Division of Educational Charter Foundation of Florida, Inc.)**

**STATEMENT OF NET ASSETS**

**June 30, 2008**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Due from local school district	\$ 22,717
Due from operating company	339,737
Prepaid expenses	<u>6,089</u>
Total current assets	<u>368,543</u>
<b>CAPITAL ASSETS</b>	
Capital assets, net of accumulated depreciation	
Furniture, fixtures and equipment	29,958
Information technology equipment	69,634
Computer software	1,560
Improvements other than building	<u>14,662</u>
Total capital assets	<u>115,814</u>
Total assets	<u>484,357</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>	
<b>LIABILITIES</b>	
Accounts payable	245,930
Accrued payroll and payroll taxes	86,286
Noncurrent liabilities:	
Due within one year	24,437
Due in more than one year	<u>465,389</u>
Total liabilities	<u>822,042</u>
<b>NET ASSETS (DEFICIT)</b>	
Investment in capital assets	115,814
Unrestricted (deficit)	<u>(453,499)</u>
Total net assets (deficit)	<u><u>\$ (337,685)</u></u>

The accompanying notes are an integral part of this financial statement.

**Susie Daniels Charter Elementary**  
**(A Division of Educational Charter Foundation of Florida, Inc.)**

**STATEMENT OF ACTIVITIES**

**For the 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:					
Basic instruction	\$ 734,205	\$ 720	\$ 97,490	\$ 56,742	\$ (579,253)
Exceptional instruction	87,377	-	889	-	(86,488)
Guidance services	16,154	-	-	-	(16,154)
Media services	7,373	-	-	-	(7,373)
Curriculum development	32,558	-	18,736	-	(13,822)
Staff development	1,515	-	-	-	(1,515)
Board of directors	57,883	-	52,500	-	(5,383)
School administration	420,319	-	-	-	(420,319)
Food services	36,541	-	-	-	(36,541)
Operation of plant	530,101	-	3,971	40,299	(485,831)
Maintenance of plant	122	-	-	-	(122)
Before / after	29,725	23,544	-	-	(6,181)
Interest expense	25,802	-	-	-	(25,802)
<b>Total governmental activities</b>	<b>\$ 1,979,675</b>	<b>\$ 24,264</b>	<b>\$ 173,586</b>	<b>\$ 97,041</b>	<b>(1,684,784)</b>
General revenues:					
State passed through local school district					1,146,848
Other revenues					7,140
Contribution					742,518
Total revenues					1,896,506
Change in net assets					211,722
Net assets (deficit) at July 1, 2007					(525,368)
Prior period adjustment					(24,039)
Net assets (deficit) at July 1, 2007, as restated					(549,407)
Net assets (deficit) at June 30, 2008					\$ (337,685)

The accompanying notes are an integral part of this financial statement.

**Susie Daniels Charter Elementary**  
**(A Division of Educational Charter Foundation of Florida, Inc.)**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2008**

	General Fund	Federal Start-up Grant Fund	Title 1 Grant Fund	Total Governmental Funds
<b>ASSETS</b>				
Due from local school district	\$ -	\$ -	\$ 22,717	\$ 22,717
Due from other funds	22,717	-	-	22,717
Due from operating company	339,737	-	-	339,737
Prepaid expenses	6,089	-	-	6,089
Total assets	\$ 368,543	\$ -	\$ 22,717	\$ 391,260
 <b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 245,930	\$ -	\$ -	\$ 245,930
Accrued payroll and payroll taxes	86,286	-	-	86,286
Due to other funds	-	-	22,717	22,717
Total liabilities	332,216	-	22,717	354,933
<b>FUND BALANCES</b>				
Unreserved	36,327	-	-	36,327
Total fund balances	36,327	-	-	36,327
Total liabilities and fund balances	\$ 368,543	\$ -	\$ 22,717	\$ 391,260

The accompanying notes are an integral part of this financial statement.

**Susie Daniels Charter Elementary  
(A Division of Educational Charter Foundation of Florida, Inc.)**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS**

**June 30, 2008**

Fund balances - total governmental funds	\$ 36,327
The net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:	
Improvements other than buildings, net of \$638 accumulated depreciation	\$ 14,662
IT Equipment, net of \$5,322 accumulated depreciation	69,634
Furniture, Fixtures, and Equipment, net of \$2,992 accumulated depreciation	29,958
Computer software, net of \$1,512 accumulated depreciation	<u>1,560</u>
Total capital assets	115,814
Long-term liabilities (note payable) are not due and payable in the current period and therefore are not reported in the funds.	(489,826)
Total net assets (deficit) of governmental activities	<u><u>\$ (337,685)</u></u>

The accompanying notes are an integral part of this financial statement.

**Susie Daniels Charter Elementary**  
**(A Division of Educational Charter Foundation of Florida, Inc.)**

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

**For the year ended June 30, 2008**

	General Fund	Federal Start-up Grant	Title 1 Grant Fund	Total Governmental Funds
<b>Revenues</b>				
Federal passed through local school district	\$ -	\$ 194,500	\$ 76,127	\$ 270,627
State passed through local school district	1,146,848	-	-	1,146,848
Contribution	742,518	-	-	742,518
Other revenues	31,404	-	-	31,404
Total revenues	1,920,770	194,500	76,127	2,191,397
<b>Expenditures</b>				
Current:				
Basic instruction	629,752	21,363	76,127	727,242
Exceptional instruction	86,488	889	-	87,377
Guidance services	16,154	-	-	16,154
Media services	7,373	-	-	7,373
Curriculum development	13,822	18,736	-	32,558
Staff development	1,515	-	-	1,515
Board of directors	5,383	52,500	-	57,883
School administration	420,319	-	-	420,319
Food services	36,541	-	-	36,541
Operation of plant	523,201	3,971	-	527,172
Maintenance of plant	122	-	-	122
Before / after	29,725	-	-	29,725
Fixed capital outlay	27,175	97,041	-	124,216
Debt Service:				
Principal	4,198	-	-	4,198
Interest	25,802	-	-	25,802
Total expenditures	1,827,570	194,500	76,127	2,098,197
Deficiency of revenues under expenditures	93,200	-	-	93,200
Other financing sources				
Proceeds from note payable	250,000	-	-	250,000
Total other financing sources	250,000	-	-	250,000
Net change in fund balances	343,200	-	-	343,200
Fund balance (deficit) at July 1, 2007	(526,858)	-	-	(526,858)
Prior period adjustment	219,985	-	-	219,985
Fund balance (deficit) at July 1, 2007, as restated	(306,873)	-	-	(306,873)
Fund balance at June 30, 2008	\$ 36,327	\$ -	\$ -	\$ 36,327

The accompanying notes are an integral part of this financial statement.

**Susie Daniels Charter Elementary  
(A Division of Educational Charter Foundation of Florida, Inc.)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2008**

Net change in fund balances - total government funds	\$	343,200
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report fixed capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Total fixed capital outlay	\$	124,216
Less: depreciation		<u>(9,892)</u>
		114,324
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.		
Proceeds from note payable		(250,000)
Principal payment on note payable		<u>4,198</u>
		(245,802)
Change in net assets of governmental activities	\$	<u><u>211,722</u></u>

The accompanying notes are an integral part of this financial statement.

**Susie Daniels Charter Elementary  
(A Division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

Susie Daniels Charter Elementary, (the "School"), is a division of Educational Charter Foundation of Florida, Inc., which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter school provides education services to students in grades kindergarten through fifth. The governing body of the School is the Board of Directors (the "Board"), which is composed of three members. The financial information presented is that of Susie Daniels Charter Elementary only. The entire workforce is provided by the operating company; therefore, all benefits are provided by the operating company.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School Board of Broward County, Florida (the "District"). The current charter is effective until June 30, 2011, and may be renewed in increments of five years by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Susie Daniels Charter Elementary is considered a component unit of the School Board of Broward County, Florida.

2. 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 the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business-type activities.

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.

**Susie Daniels Charter Elementary  
(A Division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

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 the School 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 the School'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 the School funds were deemed to be major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. 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.

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. For this purpose, the School considers revenues to be available if they are collected within sixty days of the current fiscal period. 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 an expenditure only when payment is due.

**Susie Daniels Charter Elementary  
(A Division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The School'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. The School reports the following major governmental funds:

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

Federal Start-Up Grant Fund - to account for the proceeds of the federal Start-Up grant received through the District that is legally restricted to expenditures for specified purposes.

Title 1 Grant Fund - to account for the proceeds of the federal Title 1 grant received through the District that is legally restricted to expenditures for specified purposes.

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

4. Cash

Cash is made up of cash on hand at the School and a checking account held at a financial institution. The School has no cash equivalents.

5. Receivables

The School's receivables consist of amounts due from the local school district and due from other schools. The School's management determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Interfund receivables and payables

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds. The amount due to the general fund from the Title 1 grant fund, at June 30, 2008, is \$22,717.

**Susie Daniels Charter Elementary  
(A Division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

7. Capital assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$500 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. 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.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (years)</u>
Furniture, fixtures and equipment	10
Information technology equipment	10
Improvements other than building	20
Software	3

8. Revenue sources

Revenues for current operations are received primarily from the State of Florida through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School 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 Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until such eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

**Susie Daniels Charter Elementary  
(A Division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

9. Use of estimates

The process of preparing financial statements in conformity with accounting standards 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 relates to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

10. Long-term obligations

In the government-wide financial statement, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and payments of debt principal as other financing uses.

11. Prepaid expense

Payment made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid expenses in both government-wide and fund financial statement.

**NOTE B - CASH**

*Custodial credit risk* - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School mitigates the custodial risk for deposits by only doing business with large national banks. At June 30, 2008, the School had a bank balance of \$29,813, all of which was insured by the federal deposit insurance corporation (FDIC).

**Susie Daniels Charter Elementary  
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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE C - CAPITAL ASSETS**

Changes in capital assets are as follows:

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
Capital assets depreciated:				
Furniture, fixtures and equipment	\$ -	\$ 32,950	\$ -	\$ 32,950
Information technology equipment	-	74,956	-	74,956
Computer software	2,062	1,010	-	3,072
Improvements other than building	-	15,300	-	15,300
Total assets depreciated	<u>2,062</u>	<u>\$ 124,216</u>	<u>\$ -</u>	<u>126,278</u>
Less accumulated depreciation:				
Furniture, fixtures and equipment	-	\$ 2,992	\$ -	2,992
Information technology equipment	-	5,322	-	5,322
Computer software	572	940	-	1,512
Improvements other than building	-	638	-	638
Total accumulated depreciation	<u>572</u>	<u>\$ 9,892</u>	<u>\$ -</u>	<u>10,464</u>
Total governmental activities capital assets, net	<u>\$ 1,490</u>			<u>\$ 115,814</u>

Depreciation expense for the year ended June 30, 2008 was charged to functions of the School as follows:

Basic instruction	\$ 6,963
Operation of plant	<u>2,929</u>
	<u>\$ 9,892</u>

**Susie Daniels Charter Elementary  
(A Division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE D - LONG-TERM DEBT**

A summary of changes in the note payable are as follows:

	Balance at July 1, 2007 (restated)	Additions	Reductions	Balance at June 30, 2008	Due within one year
Note payable - Start-up	\$ 244,024	\$ -	\$ 4,198	\$ 239,826	\$ 4,668
Note payable - Advance	-	250,000	-	250,000	19,769
<b>Total</b>	<b>\$ 244,024</b>	<b>\$ 250,000</b>	<b>\$ 4,198</b>	<b>\$ 489,826</b>	<b>\$ 24,437</b>

In June 2008, the School entered into a promissory note agreement with the operating company to cover costs associated with opening the School for \$250,000 with an effective date of July 2006 (see Note I). The payments are expected to be \$2,500 per month for a term of 20 years. The interest rate on the note is calculated at 10.656%. During the year ended, the School made principal payments toward the note of \$4,198.

Additionally, during the year ended June 30, 2008, the School entered into an unsecured promissory note with the operating company for the prior year capital advances for a total of \$250,000. The payments are \$2,652 per month for a term of 10 years. The interest rate on the note is calculated at prime (5% at June 30, 2008). During the year ended June 30, 2008, the School made no principal payments towards the note.

The annual principal payment amounts on the notes payable outstanding at June 30, 2008 are as follows:

	Note payable - Start-up		Note payable - Advances	
	Principal	Interest	Principal	Interest
2009	\$ 4,668	\$ 25,332	\$ 19,769	\$ 12,051
2010	5,190	24,810	20,780	11,040
2011	5,771	24,229	21,843	9,977
2012	6,417	23,583	22,961	8,859
2013	7,135	22,865	24,135	7,684
2014-2018	49,600	100,400	140,512	18,586
2019-2023	84,303	65,697	-	-
2024-2026	76,742	13,258	-	-
	<b>\$ 239,826</b>	<b>\$ 300,174</b>	<b>\$ 250,000</b>	<b>\$ 68,197</b>

**Susie Daniels Charter Elementary  
(A Division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE E - CONCENTRATIONS**

Revenue sources

As stated in Note A-8, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources:

Sources	Amounts
School Board of Broward County:	
Base funding	\$ 828,902
Discretionary lottery	9,156
Discretionary local effort	78,155
Discretionary millage	894
Supplemental academic instruction	45,068
Reading allocation	1,168
ESE allocation	28,586
Class size reduction	194,147
McKay reimbursement	3,105
Safe schools	4,923
Instructional materials	17,510
Library media	1,053
Science lab	288
Adjustment	(7,033)
Other school board deductions	(71)
Administrative fee	(60,493)
Subtotal	1,145,358
Federal start-up grant	194,500
Title I	76,127
Other state revenue	1,490
Total passed through School Board of Broward County	1,417,475
Contribution from operating company	742,518
Other revenue	31,404
	\$ 2,191,397

**Susie Daniels Charter Elementary  
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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE F - COMMITMENTS AND CONTINGENCIES**

1. Operating agreement

The School entered into an agreement with an operating company for management services, commencing on November 16, 2006 effective through the duration of the School's charter. This agreement was amended on June 26, 2008. This agreement calls for an indirect cost allocation equal to 12% of revenues, as defined in the agreement, to be paid in variable monthly payments. Current year management fees charged to operations totaled \$146,757.

In the event there are not sufficient funds to pay operating expenses, the operating company will provide operating advances to cover such shortfalls. The operating company shall be reimbursed for such advances on the first date of each month in which funds reside in the School's operating account for which not otherwise reserved by the operating budget. At the request of the operating company, the Board shall execute a promissory note.

For the year ended June 30, 2008, the School amended their operating agreement. This amendment forgave any outstanding operating advances as of June 30, 2008, in excess of \$250,000. The operating company contributed \$742,518 to the School. A promissory note was executed during the year for the \$250,000 remaining balance (see Note D).

Effective July 1, 2008, such operating advances that remain outstanding in the subsequent fiscal year shall accrue interest until paid in full at the prime interest rate compounded monthly, however the operating company agrees to forgive the greater of either 90% of any outstanding capital advances made in the current fiscal year that are in excess of \$250,000 or 90% of the cumulative loss in excess of \$500,000. The cumulative loss is the sum of the outstanding operating capital advances for the current fiscal year, outstanding prior year unforgiven advances, and the aggregate sum of all previous annual amounts forgiven by the operating company by this provision. The School will be responsible for the repayment of outstanding operating advance balances.

Effective July 1, 2008, the School will also pay to the operating company a fee of 3%, 3.5%, and 4% of total revenues for fiscal years ending June 30, 2009, 2010 and 2011, respectively. Beginning July 1, 2011 until June 30, 2028, this fee will be 2.5% of total revenues.

**Susie Daniels Charter Elementary  
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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE F - COMMITMENTS AND CONTINGENCIES (continued)**

2. Facilities sub-lease

The operating company entered into a lease agreement with a third party for the facility where the School is located. The School entered into a sub-lease with the operating company for this facility. The School has committed to pay annual base rent in the amount of \$290,000, payable in equal monthly installments of one-twelfth the annual rent to the operating company, escalating 1.5% over CPI annually. The term of the sub-lease commences on July 1, 2006 and ends May 31, 2031 however the sublease can automatically terminate upon the expiration or termination of the lease for any reason. Current year rental expense charged to operations totaled \$300,834.

The future minimum sub-lease obligations are as follows:

Fiscal year ending June 30:

2008	\$	318,490
2009		318,490
2010		318,490
2011		318,490
2012		318,490
2013-2017		1,592,450
2018-2022		1,592,450
2023-2027		1,592,450
2028-2031		<u>1,273,960</u>

Total	\$	<u><u>7,643,760</u></u>
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**Susie Daniels Charter Elementary  
(A Division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE G - RELATED PARTIES**

1. Due to/(from) operating company

The School has entered into multiple agreements with the operating company. The due to/(from) operating company activity consists of the following:

	Management fees and other services	Working capital	Development allocation	Total
Balance at July 1, 2007	\$ -	\$ 258,641	\$ 219,985	\$ 478,626
Restatement (see Note I)	-	-	(219,985)	(219,985)
Balance at July 1, 2007, as restated	-	258,641	-	258,641
Note conversion	-	(250,000)	-	(250,000)
Invoiced	244,826	-	-	244,826
Operating advances	-	387,000	-	387,000
Payments	(237,686)	-	-	(237,686)
Contribution	-	(742,518)	-	(742,518)
Balance at June 30, 2008	<u>\$ 7,140</u>	<u>\$ (346,877)</u>	<u>\$ -</u>	<u>\$ (339,737)</u>

2. Sub-lease with operating company

The School entered into an agreement with the operating company to lease the facility where the School is located (see Note E-2). The lease requires an annual payment of \$290,000, which escalates 1.5% over CPI annually. The lease expense charged to operations was \$300,834 for the year ended June 30, 2008.

3. Operating advances

During the year ended on June 30, 2008, the operating company made advances of \$387,000 to cover shortfalls in funds needed to pay operating expenses. As discussed at Note F-1, the School received a contribution from the management company for \$742,518 to fund operating expenses for the year ended June 30, 2008.

**NOTE H - RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the property insurance policy, the School's liability is \$25,000 per occurrence. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the current year.

**Susie Daniels Charter Elementary  
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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE I - PRIOR PERIOD ADJUSTMENT**

On June 26, 2008, the Board established the formal terms of the development allocation note payable. In the previous year, the advance was established as a current liability and the total payments recorded against it. The School's beginning fund balance in the statement of revenues, expenditures and changes in fund balances - governmental funds has been restated to reflect an increase of \$219,985. Additionally, the beginning net assets in the statement of activities has been restated to reflect a decrease of \$24,039.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Susie Daniels Charter Elementary**  
**(A Division of Educational Charter Foundation of Florida, Inc.)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

**For the year ended June 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenue				
State passed through local school district	\$ 1,055,586	\$ 1,199,586	\$ 1,146,848	\$ (52,738)
Contribution	-	416,793	742,518	325,725
Other revenues	164,000	20,000	31,404	11,404
Total revenues	<u>1,219,586</u>	<u>1,636,379</u>	<u>1,920,770</u>	<u>284,391</u>
Less: Non-profit expense				
NFP Administrative expenses	5,000	5,000	5,383	(383)
Net school operating revenue	<u>1,214,586</u>	<u>1,631,379</u>	<u>1,915,387</u>	<u>284,008</u>
Expenses				
Salaries and benefits	850,355	850,355	988,410	(138,055)
Other school service expense	28,000	28,000	43,504	(15,504)
Direct educational expense	65,058	65,058	63,611	1,447
General and administrative	119,400	119,400	55,539	63,861
Facility expense	95,300	95,300	195,142	(207,399)
Faculty development	5,000	5,000	1,515	3,485
Marketing expense	2,000	2,000	3,529	(1,529)
School operating expenses	1,165,113	1,165,113	1,351,250	(293,694)
Facility use fee	291,516	291,516	302,699	(11,183)
Indirect cost allocation	154,750	154,750	146,757	7,993
Total expenses	<u>1,611,379</u>	<u>1,611,379</u>	<u>1,800,706</u>	<u>(296,884)</u>
Change in net assets (budgetary basis)	(396,793)	20,000	114,681	(12,876)
Adjustments to conform with GAAP:				
Capital outlay expenditures	-	-	(27,175)	(27,175)
Depreciation expense	-	-	9,892	9,892
Proceeds from note payable	-	-	250,000	250,000
Principal payment on note payable	-	-	(4,198)	(4,198)
Net change in fund balances	(396,793)	20,000	343,200	215,643
Fund balances (deficit) at July 1, 2007	(526,858)	(526,858)	(526,858)	-
Prior period adjustment	219,985	219,985	219,985	-
Fund balances (deficit) at July 1, 2007, as restated	<u>(306,873)</u>	<u>(306,873)</u>	<u>(306,873)</u>	<u>-</u>
Fund balances (deficit) at June 30, 2008	<u>\$ (703,666)</u>	<u>\$ (286,873)</u>	<u>\$ 36,327</u>	<u>\$ (323,200)</u>

See accompanying notes to required supplemental information.

**Susie Daniels Charter Elementary  
(A Division of Educational Charter Foundation of Florida, Inc.)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - FEDERAL START-UP GRANT FUND**

**For the year ended June 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenue				
Federal passed through local school district	\$ 194,500	\$ 194,500	\$ 194,500	\$ -
Total revenues	<u>194,500</u>	<u>194,500</u>	<u>194,500</u>	<u>-</u>
Expenses				
Direct educational expense	40,988	40,988	40,988	-
General and administrative	52,500	52,500	52,500	-
Facility expense	3,971	3,971	3,971	-
School operating expenses	<u>97,459</u>	<u>97,459</u>	<u>97,459</u>	<u>-</u>
Change in net assets (budgetary basis)	97,041	97,041	97,041	-
Adjustments to conform with GAAP:				
Capital outlay expenditures	<u>(97,041)</u>	<u>(97,041)</u>	<u>(97,041)</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance (deficit) at July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to required supplemental information.

**Susie Daniels Charter Elementary  
(A Division of Educational Charter Foundation of Florida, Inc.)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - TITLE 1 GRANT FUND**

**For the year ended June 30, 2008**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenue				
Title 1 Funding	\$ 90,000	\$ 90,000	\$ 76,127	\$ (13,873)
Total revenues	<u>90,000</u>	<u>90,000</u>	<u>76,127</u>	<u>(13,873)</u>
Expenses				
Salaries and benefits	90,000	90,000	76,127	13,873
Total expenses	<u>90,000</u>	<u>90,000</u>	<u>76,127</u>	<u>13,873</u>
Net change in fund balances	-	-	-	-
Fund balance (deficit) at July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at June 30, 2008	<u><u>-</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to required supplemental information.

**Susie Daniels Charter Elementary  
(A Division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**June 30, 2008**

**NOTE A - BUDGETARY INFORMATION**

1. Budgetary basis of accounting

The School's annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board. Since the budgetary basis differs from generally accepted accounting principles ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. A reconciliation to deficiency of revenues under expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major fund for which a legally adopted budget exists. The legal level of budgetary control is the fund level.

2. Excess of expenses over appropriations

The School's general fund expenditures exceeded its budget by \$296,884. The majority of the over-expenditures are the result of unexpected costs related to salary expense and facility costs.

**SUPPLEMENTAL INFORMATION**

**Susie Daniels Charter Elementary**  
**(A Division of Educational Charter Foundation of Florida, Inc.)**

**SCHEDULE OF FUNCTIONAL EXPENDITURES - GENERAL FUND**

**For the year ended June 30, 2008**

	Basic Instruction	Exceptional Instruction	Guidance Services	Media Services	Curriculum Development	Staff Development
Dues and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Electricity	-	-	-	-	-	-
Food	-	-	-	-	-	-
Employee benefits	106,872	10,873	1,230	4,709	-	-
Insurance	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Internet access	-	-	-	-	-	-
Management fee	-	-	-	-	-	-
Marketing	-	-	-	-	-	-
Miscellaneous	323	-	-	-	-	-
Out of county travel	2,528	-	-	-	-	-
Printing	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Professional services	-	14,764	-	-	-	1,515
Rentals	-	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-
Salaries	494,764	56,753	12,850	1,800	9,500	-
Social security	11,697	4,098	2,074	138	909	-
Supplies	5,581	-	-	726	3,413	-
Telephone	-	-	-	-	-	-
Textbooks	7,987	-	-	-	-	-
Water and sewer	-	-	-	-	-	-
Furniture, fixtures and equipment	-	-	-	-	-	-
Audio visual equipment	-	-	-	-	-	-
	<u>\$ 629,752</u>	<u>\$ 86,488</u>	<u>\$ 16,154</u>	<u>\$ 7,373</u>	<u>\$ 13,822</u>	<u>\$ 1,515</u>

Board of Directors	School Administration	Food Services	Operation of plant	Maintenance of Plant	Before and After Care	Fixed Capital Outlay	Debt Service	Total
\$ -	\$ 905	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 905
-	-	-	95,983	-	-	-	-	95,983
-	-	36,541	-	-	-	-	-	36,541
-	31,176	-	-	122	2,311	-	-	157,293
-	-	-	20,703	-	-	-	-	20,703
-	-	-	-	-	-	-	25,802	25,802
-	-	-	4,596	-	-	-	-	4,596
-	146,757	-	-	-	-	-	-	146,757
-	3,529	-	-	-	-	-	-	3,529
-	3,162	-	32,920	-	-	-	-	36,405
-	3,272	-	-	-	-	-	-	5,800
-	805	-	-	-	-	-	-	805
-	-	-	-	-	-	-	4,198	4,198
5,383	6,232	-	-	-	-	-	-	27,894
-	1,865	-	300,834	-	-	-	-	302,699
-	8,085	-	49,955	-	-	-	-	58,040
-	196,526	-	-	-	27,414	-	-	799,607
-	12,594	-	-	-	-	-	-	31,510
-	5,411	-	248	-	-	-	-	15,379
-	-	-	17,487	-	-	-	-	17,487
-	-	-	-	-	-	-	-	7,987
-	-	-	475	-	-	-	-	475
-	-	-	-	-	-	12,160	-	12,160
-	-	-	-	-	-	15,015	-	15,015
<u>\$ 5,383</u>	<u>\$ 420,319</u>	<u>\$ 36,541</u>	<u>\$ 523,201</u>	<u>\$ 122</u>	<u>\$ 29,725</u>	<u>\$ 27,175</u>	<u>\$ 30,000</u>	<u>\$ 1,827,570</u>

**Susie Daniels Charter Elementary  
(A Division of Educational Charter Foundation of Florida, Inc.)**

**SCHEDULE OF FUNCTIONAL EXPENDITURES - FEDERAL START UP GRANT FUND**

**For the year ended June 30, 2008**

	Basic Instruction	Exceptional Instruction	Curriculum Development	Board of Directors	Operation of plant	Fixed Capital Outlay	Total
Internet access	\$ -	\$ -	\$ -	\$ -	\$ 1,400	\$ -	\$ 1,400
Professional services	-	-	360	52,500	-	-	52,860
Repairs and maintenance	-	-	-	-	4	-	4
Supplies	17,985	889	18,376	-	2,567	-	39,817
Textbooks	3,378	-	-	-	-	-	3,378
Furniture, fixtures and equipment	-	-	-	-	-	96,031	96,031
Computer software	-	-	-	-	-	1,010	1,010
	<u>\$ 21,363</u>	<u>\$ 889</u>	<u>\$ 18,736</u>	<u>\$ 52,500</u>	<u>\$ 3,971</u>	<u>\$ 97,041</u>	<u>\$ 194,500</u>

**Susie Daniels Charter Elementary**  
**(A Division of Educational Charter Foundation of Florida, Inc.)**

**SCHEDULE OF FUNCTIONAL EXPENDITURES - FEDERAL TITLE 1 FUND**

**For the year ended June 30, 2008**

	Basic Instruction
Salaries	<u>\$ 76,127</u>

**REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

**Partners:**

John R. Hopkins  
James A. Wright, Jr.  
James S. LaHam  
Ross A. Whitley  
W. Ed Moss  
Philip J. Hayes  
Brian L. Nemeroff

To the Board of Directors  
Susie Daniels Charter Elementary  
West Park, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Susie Daniels Charter Elementary (the "School"), a component unit of the School District of Broward County, Florida and a division of Educational Charter Foundation of Florida, Inc. (the "Charterholder") as of and for the year ended June 30, 2008 which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 25, 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 Susie Daniels Charter Elementary 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 Susie Daniels Charter Elementary internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Susie Daniels Charter Elementary internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Susie Daniels Charter Elementary 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 Susie Daniels Charter Elementary financial statements is more than inconsequential will not be prevented or detected by Susie Daniels Charter Elementary internal control.

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We consider the deficiency described in the management letter dated September 25, 2008 as item 08-5 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above as item 08-5 to be a material weakness.

### Compliance and Other Matters

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

We also noted certain matters that we have reported to management of Susie Daniel Charter Elementary in the accompanying management letter dated September 25, 2008.

Susie Daniel Charter Elementary's response to our findings identified in our audit is described in the accompanying letter of management response. We did not audit Susie Daniel Charter Elementary's response and, accordingly, we express no opinion on it.

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

September 25, 2008  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## MANAGEMENT LETTER

**Partners:**

John R. Hopkins  
James A. Wright, Jr.  
James S. LaHam  
Ross A. Whitley  
W. Ed Moss  
Philip J. Hayes  
Brian L. Nemeroff

To the Board of Directors  
Susie Daniels Charter Elementary  
West Park, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Susie Daniels Charter Elementary, as of and for the fiscal year ended June 30, 2008 and have issued our report thereon dated September 25, 2008.

We issued our report of internal controls over financial reporting and on compliance and other matters dated September 25, 2008. Disclosures in that report, if any, should be considered in conjunction with this management letter.

The discussion required by the rules of the Auditor General follows:

1. See the attached list for corrective actions, if any, that have been taken to address any significant findings and recommendations made in the preceding annual financial audit report, not otherwise, addressed in the auditors report pursuant to Rule 10.856(2)(b)(2).
2. In connection with our audit, we determined that the School has one met any of the conditions described in Section 218.503(1), Florida Statutes. The School reports an accumulated net deficit of \$337,685 on its statement of net assets at June 30, 2008.
3. See attached recommendations to improve the School's financial management.
4. We have applied financial assessment procedures pursuant to the rules of the Auditor General 10.855(10). There are no deteriorating financial conditions disclosed pursuant to Section 218.39(5), Florida Statutes.
5. See the attached list for any violations of laws, regulations, contracts or grant agreements, or abuse that has 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.



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6. See attached recommendations for any matters, based on our professional judgment, that were inconsequential to the determination of the financial statement amounts considering both quantitative and qualitative factors, including, but not limited to, the following:
  - a. Violations of laws, rules, regulations, contracts, and grant agreements or abuse that has 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:
    - Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
    - Failures to properly record financial transactions.
    - Inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.
7. The official title of the School is *Susie Daniels Charter Elementary*, which is a division of Educational Charter Foundation of Florida, Inc. which is a not-for-profit corporation organized pursuant to Chapter 617, Florida statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes.

This management letter is intended for the information of Susie Daniels Charter Elementary's management, the State of Florida Office of the Auditor General, other regulatory agencies of federal and state governments, and the School Board of Broward County, Florida, and it is not intended to be and should not be used by anyone other than these specified parties.

September 25, 2008  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## Prior Year Recommendations and Comments - Corrected

### 07-2 Purchase card transactions

Criteria: The School is required to keep supporting documentation on all purchases made with the School's purchase card, regardless of the dollar value.

Condition: Out of a sample of 93 purchase card transactions, 18 transactions did not have supporting documentation.

Effect: We were unable to determine whether the exceptions discussed above were eligible school expenses.

Auditors' recommendations: We recommend that the School implement a policy of examining prepaid Visa card transactions regularly to ensure purchases have the appropriate documentation.

As of June 30, 2008 management has addressed the aforementioned condition.

### 07-3 Insurance requirements - Property

Criteria: The Charter School agreement requires that the School obtain property insurance with a maximum deductible of \$1,000 per occurrence. It also requires that the School have automobile insurance that cover's any owned vehicles.

Condition: Upon review of the School's insurance policy, it was noted that the deductible for Property Insurance was \$25,000 per occurrence and the automobile insurance did insure all of the School's vehicles.

Cause: Charter agreement requirements were not followed when determining insurance policies.

Effect: The School is not in compliance with their charter agreement.

Auditors' recommendation: In order for the School to comply with the charter agreement, we recommend the limit for property insurance be changed and that the all owned vehicles be added to the automobile insurance. We also recommend that the School regularly review their agreements to ensure that they remain in compliance.

As of June 30, 2008 management has addressed the aforementioned condition.

## Prior Year Recommendations and Comments - Repeated

### 07-1 Student attendance

Criteria: The Florida Department of Education requires that the original attendance record keeping device should not be changed or if records are maintained electronically, that all changes be logged, signed, and dated.

Condition: The School did not keep a sign in / out sheet for their records so they could keep track if a student came in late or had to leave the School for any reason.

Cause: The School's front office administration did not implement a system until January 2007.

As of June 30, 2008:

Condition: While the school now has a method of tracking tardy students, of the 20 students sampled, 2 were incorrectly recorded as absent instead of tardy in the District report.

Cause: The sign in/out sheets were not properly reconciled to the TERMS system.

Effect: The School is not compliant with the Florida Department of Education's requirements.

Auditors' recommendation: We recommend the School perform various inspections of its student attendance record keeping throughout the year to ensure that its policies and procedures are being followed.

## Prior Year Recommendations and Comments – Repeated (continued)

### 07-4 Financial condition

Criteria: Section 218.503(1), Florida Statutes, states that local governmental entities and district school boards shall be subject to review and oversight by the Governor or the Commissioner of Education if the School maintains an unreserved or total fund balance or an unrestricted or total net assets deficit, as reported on the balance sheet or statement of net assets, for which sufficient resources of the local governmental entity, as reported on the balance sheet or statement of net assets on the general purpose or fund financial statements, are not available to cover the deficit.

Condition: The School reported a total net deficit, an unrestricted net deficit and a deficit fund balance of \$526,858 as of June 30, 2007.

Status as of June 30, 2008:

Cause: Although the school reported a net deficit of \$337,685 and an unrestricted net deficit of \$453,499, it is not a result of deteriorating financial conditions. The School is improving its financial condition with a decrease in the net deficit of \$211,722 for the year ended June 30, 2008.

Effect: It was determined that the School met the conditions described in Sections 218.503(1)(e), Florida Statutes.

Auditors' recommendations: We recommend management continue to closely monitor the deficit.

## Current Year Recommendations and Comments

### 08-1 Capital Assets

Criteria: The School's capitalization policy calls for capitalization of property and equipment additions exceeding \$500.

Condition: When reviewing the various expense accounts for the School, we noted several capital expenditures that were improperly expenses.

Effect: The School did not adhere to its capitalization policy, thus capital asset accounts were understated and current year expenses were overstated.

Auditors' recommendation: We recommend that the School review all expenses and ensure that amounts that should be capitalized are not improperly recorded as expenses.

### 08-2 Check signing policy

Criteria: The School's policy requires dual signatures on all checks written greater than \$5,000.

Condition: During our review of cash disbursements, in all instances tested, no checks utilized dual signatures.

Effect: Disbursements not allowable by the budget could be made without management awareness.

Auditors' recommendation: We recommend that the School follow their policies in place and require dual signatures on all checks greater than \$5,000.

### 08-3 Maintain void checks

Criteria: In accordance with the School Board of Broward County Charter School Contract (Susie Daniels Charter School), "the School shall provide the Sponsor with annual audited financial statements." Proper documentation is required to perform an audit.

Condition: Out of a sample of 29, 3 voided and or misprinted checks were noted. The checks were shredded and were not available for audit review. The auditors verified that the checks did not clear subsequent bank statements without exception.

Cause: School employees shredded voided or misprinted checks.

Effect: Increased risk for misappropriation of cash.

Auditors' recommendation: We recommend that the School implement a policy to deface voided and misprinted checks and maintain for audit purposes.

## Current Year Recommendations and Comments (continued)

### 08-4 Proper accounting for grant revenues

Criteria: The school should maintain appropriate accounting for grant revenues and the related expenses.

Condition: The School booked grant revenues and expenditures into one account.

Effect: The School's revenues and expenditures were materially understated. The financial records did not clearly show the accountability for the grant revenues and expenses.

Auditors' recommendation: The school should utilize proper fund accounting to keep track of all major grants and the associated expenses.

### 08-5 Reconcile accounts to supporting documents

#### *Material Weakness*

Criteria: The School should reconcile all balance sheet accounts on a monthly basis.

Condition: During the audit, we noted certain balance sheet accounts were not reconciled accurately to supporting documentation on a monthly basis. As a result, material adjustments were necessary for the accounts receivable and utility deposit account.

Effect: The School's financial statements had to be materially adjusted to reconcile errors.

Auditors' recommendation: A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. In order to make the financial reports generated by the accounting system as meaningful as possible, we recommend the School reconcile all balance sheet accounts to supporting documentation on a monthly basis.

### 08-6 Journal entry support

Criteria: The School should have appropriate support or approval for general journal entries prior to being posted.

Condition: During our review of the general journal entries, several lacked adequate support or approval.

Condition: During the audit, we requested to view support and approval for various general journal entries made throughout the year which could not be provided.

Effect: Inappropriate journal entries could be made to the general ledger.

Auditors' recommendation: We recommend the School adopt a policy to ensure that proper approval and supporting documentation is available for all journal entries. Additionally, management should perform an inspection of posted journal entries to ensure that proper documentation is available.

## Current Year Recommendations and Comments (continued)

### 08-7 Segregation of duties

Criteria: Segregation of duties is necessary because financial and accounting records are vulnerable to manipulation and potential fraudulent activity. Internal controls should be in place to provide reasonable assurance that errors and irregularities will be prevented or detected in a timely manner.

Condition: During our audit, we noted it appears the School does not have strong segregation of duties over cash receipts and cash disbursements. For instance, the person who handles cash should not be the same person to record the payments to the ledger and deposit funds in the bank. As for cash disbursements, the person who approves purchase orders and orders the items should not be the same person approving the invoices and signing the checks for the payment.

Effect: The School is at risk for a misstatement due to the lack of controls over cash receipts and disbursements.

Auditor's Recommendations: We recommend management isolate any incompatible accounting functions that are the responsibility of one employee and reassign responsibility for these duties, if practical, or create a supervisory review of these functions.

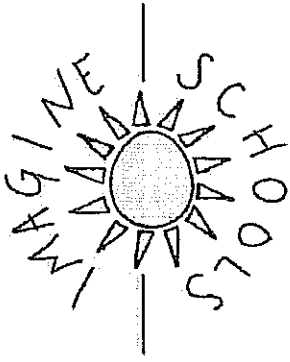
### 08-8 Budget Amendments

Criteria: Section 1002.33(9)i of the Florida Statutes requires that the governing body of the charter school adopt an annual budget. This budget should be amended if management believes expenses will exceed actual appropriations.

Condition: During the current year, actual expenses exceeded final budgeted appropriations of the general fund by \$296,884.

Effect: The School did not amend the budget to reflect additional expenditures incurred after the final amendment, thus the School's actual expenditures exceeded budgeted appropriations.

Auditors' recommendation: It is our recommendation that the School amend their budget to ensure that the School's actual expenditures do not exceed the budget. The School has the ability to amend their budget within 60 days after the fiscal year end.



October 22, 2008

Berman Hopkins Wright & LaHam, LLP  
8035 Spyglass Hill Road  
Melbourne, FL 32940

### **Current year Audit Recommendations Response**

#### **07-1 Student Attendance**

In reference to the school not keeping a sign-in/sign-out log, the school has put in place procedures to document all sign-in/sign-outs and to have a designated area to store the information on a monthly basis. In the event that these items will need to be retrieved in the future, we are confident that we will be able to provide the necessary documentation and be in compliance with Florida Department of Education policies and procedures.

#### **07-4 Financial Condition:**

The school will closely monitor the schools expenditures to assure that there is no increase in the school's deficit balance.

#### **08-1 Purchase of Capital Assets:**

The policy states that any purchase over the amount of \$500 be capitalized and logged as a fixed asset. The business manager will track all invoices approved and received by her that are over the amount of \$500 and assure that the invoice is recorded to a fixed asset general ledger account. In order to ensure that there is not an overview of these invoices, the business manager should run an accounts payable report showing the purchase activity monthly and therefore, verifying if the invoice was properly recorded. Additionally, the person that is approving the invoice should make a comment on invoice regarding if this should be a capitalized item or not.

#### **08-2 Check Signing Policy:**

The school policy is that any checks over the amount of \$5,000 require two signatures. This is why it is recommended that each school have at least three authorized check signers. The business manager needs to verify at time of receiving the checks back from the signers for mailing out, that all checks over this amount have two signatures.

#### **08-3 Void Checks:**

The policy of the school is to maintain all voided checks in a file with the accompanied documentation. All voided checks should have the signatures cut off and written VOID across the front of the check.

#### **08-4 Proper Accounting for Grant Revenues:**

The Finance Manual has a worksheet that allows for proper tracking of all major grants and their associated expenses. The business manager will use this worksheet in order to properly track both the grant revenues and their associated expenses.

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**08-5 Reconcile Accounts to Supporting Documents:**

The school will implement a policy in order to train and help the business manager to monitor all balance sheet accounts on a monthly basis. The balance sheet accounts will be reconciled to supporting documentation on a monthly basis. In case there is the need of any correcting journal entries, these entries will be done on that month and this will make the monthly financial reports generated by the accounting system as accurate as possible.

**08-6 Journal Entry Support and Approvals:**

The policy of the school is to have all supporting documentation attached to Journal Entries. In addition, all journal entries should be approved by either the Principal and/or Regional Staff via actual signature or email. If via email, the email should be attached to the journal entry. The business manager needs to assure that all journal entries prior to being prepared get the proper approvals. In addition, the Principal will request from the business manager the binder with the journal entries and do periodic checks to make sure that the journal entries have the proper documentation and approvals.

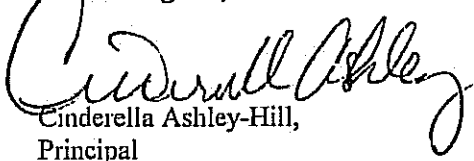
**08-7 Segregation of Duties:**


The financial manual at the school describes in detail the policy and procedures for the segregation of duties. The business manager and Principal will review the policies and reassign duties to comply with the segregation of duties. In the case of a school that is short on office staff, the financial support director will be utilized to alleviate the segregation of duties.

**08-8 Budget Amendments:**

The policy of the school is to prepare on a monthly basis a Budget vs. Actual report. This report is primarily to be used for the purpose of closely monitoring both your expenses and any differences with the budget. Any differences should be looked into a monthly basis. In addition, the schools do several budget amendments during the year. Usually at the time of the FTE counting period or if there are any major State revenue cuts. There is an amendment that is done toward the end of the year. The school will monitor their budgets closely and amend to properly ensure that the School's expenditures do not exceed the budgeted amounts.

Sincere Regards,

  
Cinderella Ashley-Hill,  
Principal

  
Rod Sasse  
Regional Director

C: Business Office Administrator  
File