

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT
UNIT OF THE SCHOOL BOARD OF
BREVARD COUNTY, FLORIDA**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORTS**

YEAR ENDED JUNE 30, 2009

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

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INTRODUCTORY SECTION

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**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

**OFFICERS OF THE BOARD OF DIRECTORS
JUNE 30, 2009**

Gary Boyer	President
Scott Gaenicke	Vice President
Robert Batchelor	Secretary
John Boelke	Treasurer

FINANCIAL SECTION

JANES, KEY & DINHO, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

2717 N. Wickham Road • Suite 3 • Melbourne, Florida 32935
321-752-6000 • Fax 321-752-6003

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Brevard Innovative Charter Schools, Inc.

We have audited the accompanying financial statements of the governmental activities and each major fund of Brevard Innovative Charter Schools, Inc., a component unit of the School Board of Brevard County, Florida, as of and for the year ended June 30, 2009, which collectively comprise the school's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Brevard Innovative Charter Schools, Inc. management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brevard Innovative Charter Schools, Inc., as of June 30, 2009, and the respective changes in financial position thereof 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 28, 2009, on our consideration of Brevard Innovative Charter Schools, Inc.'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 should be considered in assessing the results of our audit.

Board of Directors
Brevard Innovative Charter Schools, Inc.

The management's discussion and analysis and budgetary comparison information on pages 7 through 13 and 33 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.

Janes, Key & Dinho, P.A.
Janes, Key & Dinho, P.A.
Certified Public Accountants
September 28, 2009

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009

Management of Brevard Innovative Charter Schools, Inc. are required to present the following discussion and analysis 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. Please read it in conjunction with the School's accompanying financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components, the first two of which are presented side by side on the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances as the right column and left columns, respectively:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

In addition, this report presents certain required supplementary information, which includes management's discussion and analysis and budgetary information.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the School presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the School's financial health is improving or deteriorating.

The government-wide statements present the School's activities in the category of governmental activities. This represents the School's educational programs. Support functions such as administration are also included. The state's education finance program provides most of the resources that support these activities.

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Over a period of time, changes in the School's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the School's student enrollment and the condition of the School's capital assets, including its school buildings and administrative facilities.

Fund Financial Statements

Fund financial statements are one of the components of the basic 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others may be created by legal agreements. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

All of the School's funds may be classified within the following broad fund category:

- Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, a reconciliation of governmental funds to governmental activities for both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances are provided in the notes to the financial statements.

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

The School's net assets were \$929,396 at June 30, 2009. Of this amount, \$53,075 was invested in capital assets, net of related debt, \$581,213 was restricted and \$60,000 was board designated, leaving \$235,108 in unrestricted net assets.

Current assets are higher at June 30, 2009 than the prior year because of an increase in cash reserves of \$1,362,817 funded by debt proceeds and current earnings on the reserves, and the establishment of the Cost of Issuance account of \$355,692 which will be amortized over the life of the loan. The purchase of land and building for \$3,376,665 and building improvements of \$226,322 significantly increased capital assets compared with the prior year. Long-term debt was incurred for \$4,960,000 providing funds to purchase and expand the building.

Due to requirements of the bond indenture underlying the new debt, certain reserve funds must be maintained, resulting in restricted net assets for capital projects and debt service at June 30, 2009.

Summary of Net Assets

	<u>Governmental Activities</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2009</u>	<u>2008</u>		
Current and other assets	\$ 2,409,667	\$ 609,360	\$ 1,800,307	295%
Capital assets	3,805,366	275,073	3,530,293	1283%
Total assets	<u>6,215,033</u>	<u>884,433</u>	<u>5,330,600</u>	603%
Long-term debt outstanding	4,960,000	4,971	4,955,029	99679%
Other liabilities	325,637	59,118	266,519	451%
Total liabilities	<u>5,285,637</u>	<u>64,089</u>	<u>5,221,548</u>	8147%
Net assets:				
Invested in capital assets, net of debt	53,075	270,102	(217,027)	-80%
Restricted	581,213	-	581,213	100%
Unrestricted	295,108	550,242	(255,134)	-46%
Total net assets	<u>\$ 929,396</u>	<u>\$ 820,344</u>	<u>\$ 109,052</u>	13%

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Change in Net Assets

The School's change in net assets was approximately \$109,000 for the year ended June 30, 2009.

The state's education finance program provides 88% of the School's revenues, with the remainder coming from local sources. The state funding is based on student enrollment, which increased to 420 full time equivalent students (FTE) in 2009 from 396 FTE in 2008. Funding per student decreased approximately 2% for the 2009 fiscal year.

The cost of the program was approximately \$3.1 million, of which 69% was personnel cost. In fiscal 2009, the school staffed a new third grade class and added a guidance counselor, increasing Instructional Support Services. Building lease payments reported in Facility Acquisition were terminated in September 2008 upon purchase of the building and interest costs on long-term debt were incurred from October 2009 forward.

Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2009</u>	<u>2008</u>		
Revenues				
Program revenues				
Charges for services	\$ 232,535	\$ 219,280	\$ 13,255	6%
General revenues				
Other government funding not restricted to specific programs	2,794,705	2,723,957	70,748	3%
Interest	14,224	8,925	5,299	59%
Other income	118,554	119,987	(1,433)	-1%
Total revenues	<u>3,160,018</u>	<u>3,072,149</u>	<u>87,869</u>	3%
Expenses				
Instruction	1,835,276	1,766,676	68,600	4%
Instructional support services	48,792	5,152	43,640	847%
Instructional media services	20,510	21,300	(790)	-4%
Instructional staff training	6,857	6,155	702	100%
School administration	396,499	387,518	8,981	2%
Facilities acquisition	122,032	411,670	(289,638)	-70%
Fiscal services	17,500	20,475	(2,975)	-15%
Food service	40,274	27,084	13,190	49%
Pupil transportation	52,294	43,893	8,401	19%
Operation of plant	203,204	195,099	8,105	4%
Maintenance of plant	16,756	10,923	5,833	53%
Interest on long-term debt	290,972	307	290,665	94679%
Total expenses	<u>3,050,966</u>	<u>2,896,252</u>	<u>154,714</u>	5%
Change in net assets	<u>\$ 109,052</u>	<u>\$ 175,897</u>	<u>\$ (66,845)</u>	-38%

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

At June 30, 2009, the School's governmental funds reported a combined fund balance of approximately \$1.3 million, an increase over last year's balance of \$530,242. Included in this year's total change in fund balance is approximately \$3.6 million of capital expenditures, consisting primarily of the purchase of the previously leased educational facility, and the proceeds of \$4.96 million in related debt.

The excess of revenues over expenditures in the General Fund was approximately \$92,000 in 2009, comparable to an excess of approximately \$218,000 in 2008. Contributing factors include the current year's transferring \$176,794 of state funded Capital Outlay normally included in the General Fund to the Debt Service Fund, and the addition of a guidance counselors office.

The Capital Project Fund, established from note proceeds, provided the funds to purchase the land and building as well as \$685,000 to be used for renovation and expansion costs. The expenditures for the current year include the non-recurring cost of issuance of \$355,692. At June 30, 2009, \$451,561 remained for the completion of the improvements over the summer.

The Debt Service Fund was established in October 2008 from transfers of note proceeds from the Capital Project Fund and subsequent transfers from the General Fund, less an interest payment of \$187,398. This funds holds the reserve accounts required by the note payable for the next due date for payment of principal and interest of \$104,941.

BUDGET VARIANCES IN THE GENERAL FUND

Since the School is incorporated as a nonprofit entity, budgets are approved by the Board of Directors. The Board of Directors approved a budget for the General Fund for 2009. The budget was amended during the year to adjust material line items only to reflect the successful purchase of the building.

For the General Fund, after adjustment to the budgetary basis, actual charges were approximately \$77,000 lower than the budgeted amounts (representing approximately 3 percent of budget). This variance involves various cost lines that individually are not significant such as the purchase of new copier machines replacing copier lease payments saving \$13,000, a savings of \$9,500 on building insurance over estimated cost and successful cost cutting in areas such as supplies and substitute teachers.

After adjustment to the budgetary basis, actual revenues were approximately \$8,000 higher than budget, primarily because of increased fundraising efforts by the PTA, which raised \$47,000 on behalf of the school.

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of fiscal year 2009, the School had invested approximately \$3.8 million in a broad range of capital assets. The existing facility was purchased in September 2008 for \$3,376,665 and by June 30, 2009, \$226,322 had been invested in beginning renovations to add six new classrooms, a larger cafeteria/auditorium and gymnasium and a renovated and expanded IT server. In addition, equipment needed to handle the growing needs of the school such as copy machines and a laminator were purchased in 2009.

	Net of Accumulated Depreciation		% Change
	Governmental Activities		
	<u>2009</u>	<u>2008</u>	
Land	\$ 496,140	\$ -	100%
Building	2,825,130	-	100%
Building improvements	200,672	209,130	-4%
Equipment	57,102	61,334	-7%
Vehicle	-	-	0%
Construction in progress	<u>226,322</u>	<u>4,610</u>	4809%
Total	<u>\$ 3,805,366</u>	<u>\$ 275,074</u>	1283%

Long-term Debt

At June 30, 2009, the School had \$4.96 million in long-term debt outstanding. This debt was incurred through a conduit bond financing arrangement with the proceeds used to purchase the existing facility as well as to provide funds to renovate a portion of the building, adding the classrooms needed to keep up with the growing needs of the school. The scheduled debt service costs will be provided by monies previously used to pay building lease payments.

The previous long term capital lease for a copy machine was retired in December 2008.

	Outstanding Debt		% Change
	Governmental Activities		
	<u>2009</u>	<u>2008</u>	
Note payable	\$ 4,960,000	\$ -	100%
Capital lease obligation	<u>-</u>	<u>4,971</u>	-100%
Total	<u>\$ 4,960,000</u>	<u>\$ 4,971</u>	99679%

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

SIGNIFICANT ECONOMIC FACTORS

The School operates under a charter of the sponsoring School district, the School Board of Brevard County, Florida. The School's current charter, entered into on July 1, 2002, is in effect until 2012.

Student enrollment, which forms the basis for the most significant revenue source for the School, is approximately 420 for the 2008-2009 school year. As stated in the charter agreement, the School can enroll a maximum of 800 students for the upcoming year. The School continues to move forward with controlled growth. For the upcoming fiscal year ending June 30, 2009, because of the expansion of the building, the school will add the equivalent student count for a class and a half (approximately 26 children) by expanding an existing kindergarten to a full size room.

The School, an official Core Knowledge School, was once again rated an "A" School by the state of Florida and met the federal No Child Left Behind Act's Annual Yearly Progress. This success along with the prudent financial management of the school were significant factors that led to an investment grade rating from Standard and Poor's and the purchase of its building through a conduit bond arrangement September 30, 2008. Furthermore, that conduit bond financing arrangement was structured to provide funds for the School to further renovate the building. The bonds were issued by a state-level not-for-profit financing corporation, for \$4,960,000. Beginning in May of 2009, the School renovated the remaining 26,000 square feet of its 63,000 square foot facility by adding 6 new classrooms, a cafetorium and gym and painted the outside of the building in time for school to start in August. A significant highlight of the renovations is the addition of the stage and stage drapery that aligns so well with our Core Knowledge curriculum and focus on the arts.

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BASIC FINANCIAL STATEMENTS

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2009

	General Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds	Adjustments (Note II. A.)	Statement of Net Assets
ASSETS						
Cash	\$ 659,554	\$ -	\$ -	\$ 659,554	\$ -	\$ 659,554
Investments	-	624,581	738,236	1,362,817	-	1,362,817
Due from School Board	-	-	18,295	18,295	-	18,295
Accounts receivable	9,624	-	-	9,624	-	9,624
Prepaid expenses	12,578	-	-	12,578	-	12,578
Intangible asset, net of accumulated amortization	-	-	-	-	346,799	346,799
Other capital assets, net of accumulated depreciation	-	-	-	-	3,805,366	3,805,366
TOTAL ASSETS	<u>\$ 681,756</u>	<u>\$ 624,581</u>	<u>\$ 756,531</u>	<u>\$ 2,062,868</u>	<u>4,152,165</u>	<u>6,215,033</u>
LIABILITIES						
Accounts payable	\$ 3,463	\$ 155,718	\$ -	\$ 159,181	-	159,181
Accrued expenses	55,973	17,302	-	73,275	93,181	166,456
Notes payable						
Due within one year	-	-	-	-	15,000	15,000
Due in more than one year	-	-	-	-	4,945,000	4,945,000
TOTAL LIABILITIES	<u>59,436</u>	<u>173,020</u>	<u>-</u>	<u>232,456</u>	<u>5,053,181</u>	<u>5,285,637</u>
FUND BALANCES/NET ASSETS						
Fund balances:						
Reserved for:						
Capital project	-	451,561	-	451,561	(451,561)	-
Debt service	-	-	756,531	756,531	(756,531)	-
Unreserved	622,320	-	-	622,320	(622,320)	-
Total fund balances	<u>622,320</u>	<u>451,561</u>	<u>756,531</u>	<u>1,830,412</u>		
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 681,756</u>	<u>\$ 624,581</u>	<u>\$ 756,531</u>	<u>\$ 2,062,868</u>		
Net assets:						
Invested in capital assets, net of related debt					53,075	53,075
Restricted for (net of unspent related debt proceeds):						
Capital project					51,059	51,059
Debt service					530,154	530,154
Unrestricted					295,108	295,108
TOTAL NET ASSETS					<u>\$ 929,396</u>	<u>\$ 929,396</u>

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

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Capital Project Fund	Debt Service Fund	Total	Adjustments (Note II. B.)	Statement of Activities
EXPENDITURES/EXPENSES						
Current:						
Instruction	\$ 1,764,276	\$ -	\$ -	\$ 1,764,276	\$ 71,000	\$ 1,835,276
Instructional support services	48,792	-	-	48,792	-	48,792
Instructional media services	19,119	-	-	19,119	1,391	20,510
Instruction staff training	6,857	-	-	6,857	-	6,857
School administration	370,481	-	-	370,481	26,018	396,499
Facilities acquisition	122,032	-	-	122,032	-	122,032
Fiscal services	17,500	355,692	-	373,192	(355,692)	17,500
Food service	40,274	-	-	40,274	-	40,274
Pupil transportation	52,294	-	-	52,294	-	52,294
Operation of plant	183,204	-	-	183,204	20,000	203,204
Maintenance of plant	16,756	-	-	16,756	-	16,756
Capital outlay	-	3,628,703	-	3,628,703	(3,628,703)	-
Debt service:						
Principal	4,971	-	-	4,971	(4,971)	-
Interest	1,501	-	187,398	188,899	102,073	290,972
TOTAL EXPENDITURES/EXPENSES	2,648,057	3,984,395	187,398	6,819,850	(3,768,884)	3,050,966
PROGRAM REVENUES:						
Charges for services	232,535	-	-	232,535	-	232,535
NET PROGRAM EXPENSE						2,818,431
GENERAL REVENUES						
Other government funding not restricted to specific programs	2,617,911	-	176,794	2,794,705	-	2,794,705
Interest	11,392	1,746	1,088	14,224	-	14,224
Other income	118,554	-	-	118,554	-	118,554
Other financing sources (uses)						
Note proceeds	-	4,960,000	-	4,960,000	(4,960,000)	-
Fund transfers	(240,257)	(525,790)	766,047	-	-	-
TOTAL GENERAL REVENUES AND OTHER FINANCING SOURCES	2,507,600	4,435,956	943,929	7,887,483	(4,960,000)	2,927,483
Excess (deficit) of revenues over expenditures	92,078	451,561	756,531	1,300,170	(1,300,170)	-
Change in net assets					109,052	109,052
FUND BALANCES/NET ASSETS						
Beginning of the year	530,242	-	-	530,242	290,102	820,344
End of the year	<u>\$ 622,320</u>	<u>\$ 451,561</u>	<u>\$ 756,531</u>	<u>\$ 1,830,412</u>	<u>\$ (901,016)</u>	<u>\$ 929,396</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Brevard Innovative Charter Schools, Inc., (School) is a not-for-profit corporation organized pursuant to Florida Statutes governing not-for-profit corporations and educational choice (charter schools). The not-for-profit corporation conducts business as Brevard Innovative Charter Schools, Inc. The governing body of the School is the not-for-profit corporation's Board of Directors. The School is accounted for as a governmental not-for-profit organization and is a component unit of the School Board of Brevard County, Florida.

The general operating authority of the School is contained in Florida Statutes. The School operates grades K through 8 as Sculptor Charter School under a charter of the sponsoring School district, the School Board of Brevard County, Florida. The current charter is effective until June 30, 2012, and may be renewed by mutual written agreement between the School and the School Board. 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. The charter school contract provides that in the event the school is dissolved or terminated, any public unencumbered funds and all school property purchased with public funds automatically revert to the School Board of Brevard County. During the term of the charter, the School Board may also terminate the charter if good cause is shown.

The School also operates a Pre-Kindergarten and is a licensed provider in the State of Florida Voluntary Pre-Kindergarten program.

Other entities that are potential component units of the School that should be reported with the School's basic financial statements are identified based on certain criteria. These criteria include the School's financial accountability for them and the significance of their relationship with the School, such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, the Brevard Innovative Charter Schools PTA has been included within the reporting entity of the School as a component unit using blended presentation.

Financial information for the component unit may be obtained at the School's administrative offices.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The statements consist primarily of government activities, which normally are supported by government revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements, consisting of the Statement of Net Assets and the Statement of Activities, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements, consisting of the Governmental Funds Balance Sheet and the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balances, are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the school considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (cont.)

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital project fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

2. Receivables and payables

Activity between 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" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation.

Maintenance and repair costs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	39
Building improvements	5-40
Equipment	5-7
Vehicle	5

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

5. Compensated absences

It is the school's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick or vacation leave since the school does not have a policy to pay any amounts when employees separate from service with the school.

6. Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Loan costs are deferred and amortized over the life of the related debt.

In the fund financial statements, government fund types report face amount of debt issued as other financing sources and payments of debt principal as other financing uses. Loan costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund equity

In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Revenue Sources

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

The School receives state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For awards in which a claim to these periods is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

Program revenue includes charges for lunches, preschool programs and care and activities provided outside of the school session.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Tax Status

The School is exempt from income tax under Section 501(c) (3) of the U.S. Internal Revenue Code, and has been determined to be an organization that is not a private foundation. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Contributions to the School are qualified as deductions for charitable contributions.

11. Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through September 28, 2009; the financial statements were issued September 29, 2009.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of differences between the government fund balance sheet and the government-wide statement of net assets:

Total fund balances	\$ 1,830,412
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	3,805,366
Deferred charges for issuance costs of long-term are expended currently in the governmental funds	346,799
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Note payable	(4,960,000)
Accrued interest payable	(93,181)
Total net assets	<u>\$ 929,396</u>

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

II. Reconciliation of government-wide and fund financial statements (continued)

- B. Explanation of certain differences between the government fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

Net change in fund balances -- total governmental funds	\$ 1,300,170
Governmental funds report 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.	
Capital outlays	3,628,703
Depreciation expense	(98,409)
Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities	
	326,798
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.	
Proceeds of note payable	(4,960,000)
Payments of principal	4,971
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore do are not reported as expenditures in governmental funds	
Accrued interest	(93,181)
Change in net assets of governmental activities	\$ 109,052

III. Stewardship, compliance, and accountability

- A. Budgetary information

Since the School is incorporated as a nonprofit entity, budgets are approved by the Board of Directors. An annual budget for the General Fund is presented on a basis consistent with generally accepted accounting principles, except for the inclusion of internal cost allocations and the exclusion of debt service expenditures. No budget was adopted for other funds.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

IV. Detailed notes on all funds

B. Deposits and investments

Custodial credit risk is the risk that in the event of a bank failure, the school's deposits may not be returned to it. The school has a policy specifying that bank deposits will be made in qualified state depositories and will be diversified among institutions. At year-end, the school's carrying amount of deposits was \$659,554. The bank balances totaled \$672,398. These balances were fully covered by federal depository insurance.

In connection with the issuance of debt in September 2008 further discussed in Note IV.E., the school was required to deposit part of the proceeds and other required deposits from time to time with the trustee. The trust indenture only permits investment of funds in certain qualified investments, such as direct obligations of the United States, investments backed by the full faith and credit of the United States, highly rated money market funds and certain other collateralized investments. At June 30, 2009, the trustee held \$1,362,817 of unspent proceeds and reserve funds in a money market fund. This money market fund had a Standard & Poor's rating of AAAM and a Moody's Investors Service rating of Aaa, consistent with the indenture. These investments are stated at fair value at June 30, 2009.

C. Capital assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ -	\$ 496,140	\$ -	\$ 496,140
Construction in progress	4,610	221,712	-	226,322
Total capital assets, not being depreciated	<u>4,610</u>	<u>717,852</u>	<u>-</u>	<u>722,462</u>
Capital assets, being depreciated				
Building	-	2,880,525	-	2,880,525
Building improvements	380,145	6,373	-	386,518
Equipment	125,842	40,597	-	166,439
Equipment under capital lease	43,493	(16,645)	26,848	-
Vehicle	14,361	-	-	14,361
Total capital assets, being depreciated	<u>563,841</u>	<u>2,910,850</u>	<u>26,848</u>	<u>3,447,843</u>
Less accumulated depreciation	<u>293,378</u>	<u>98,409</u>	<u>26,848</u>	<u>364,939</u>
Total capital assets, being depreciated, net	<u>270,463</u>	<u>2,812,441</u>	<u>-</u>	<u>3,082,904</u>
Capital assets, net	<u>\$ 275,073</u>	<u>\$ 3,530,293</u>	<u>\$ -</u>	<u>\$ 3,805,366</u>

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

IV. Detailed notes on all funds (Continued)

C. Capital assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Function	Amount
Instruction	\$ 71,000
Instructional media services	1,391
School administration	26,018
	<u>\$ 98,409</u>

D. Leases

The school leased space for the school and its administrative offices for the first quarter of the fiscal year. The lease, which was terminated at the end of September 2008 as part of the contract for purchase of the building, required monthly rent payments in the amount of \$32,760 plus common area maintenance costs, which vary based on actual experience. The school was responsible for insurance, utilities and maintenance costs during the term of the lease. The School was also required to pay common costs per month in addition to the base rent. Rent expense under this lease for fiscal year ended June 30, 2009 totaled approximately \$98,000.

E. Long-term debt

In September 2008, the School executed two notes payable to Florida Development Finance Corporation (FDFC), associated with revenue bonds issued by FDFC in the aggregate amount of \$4,960,000. The bonds are in two series; Series 2008A in the amount of \$4,710,000, paying interest at 7.25% and maturing in October 2038, and Series 2008B in the amount of \$250,000, paying interest at 12.5% and maturing in October 2014. The proceeds of these notes were used by the School for the acquisition of land and building, construction and renovation improvements, funding of certain required reserve funds, and payment of bond issuance costs. The notes are to be repaid in accordance with the bond debt service schedules. The notes are secured by a pledge of revenues of the School and a Mortgage and Security Agreement on the School's land, buildings and improvements. Certain restrictive covenants are imposed by this debt, including maintaining the charter contract with the school district and maintaining certain cash reserves.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

IV. Detailed notes on all funds (Continued)

E. Long-term debt (continued)

Future debt service requirements are as follows:

Year ending June 30,		Principal	Interest
2010	\$	15,000	\$ 280,579
2011		35,000	278,138
2012		45,000	274,856
2013		50,000	270,638
2014		55,000	265,950
2015-2019		375,000	1,258,031
2020-2024		545,000	1,136,981
2025-2029		775,000	965,156
2030-2034		1,095,000	722,372
2035-2039		1,970,000	377,906
Total	\$	<u>4,960,000</u>	<u>\$ 5,830,607</u>

Accrued expenses in the government-wide statement of net assets includes approximately \$93,000 in accrued interest for a payment that will be due October 1, 2009.

Changes in long-term liabilities for the year ended June 30, 2009 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ -	\$ 4,960,000	\$ -	\$ 4,960,000	\$ 15,000
Obligation under capital lease	4,971	-	4,971	-	-
Total long-term liabilities	<u>\$ 4,971</u>	<u>\$ 4,960,000</u>	<u>\$ 4,971</u>	<u>\$ 4,960,000</u>	<u>\$ 15,000</u>

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

IV. Detailed notes on all funds (Continued)

F. Schedule of governmental funds revenue sources

The following is a schedule of governmental funds revenue sources and amounts:

<u>Sources</u>	<u>Amounts</u>
School Board of Brevard County, Florida	
Florida Education Finance Program	\$ 1,664,173
Declining Enrollment Allocation	15,206
Safe Schools	10,255
ESE Guaranteed Allocation	116,020
Supplemental Academic Instruction	123,382
Discretionary Millage	150,480
Discretionary Compression	23,588
Discretionary Lottery	9,937
Instructional Materials Allocation	40,185
Transportation	37,200
Florida Teachers Lead	5,696
Class Size Reduction	430,827
Subtotal	<u>2,626,949</u>
Less : administrative fee	<u>(131,347)</u>
	2,495,602
Capital Outlay Award	236,257
School Recognition	33,660
NBCT Bonus	9,767
Merit Award Program	19,419
Total, School Board of Brevard County	<u>2,794,705</u>
Other local sources	<u>365,313</u>
Total	<u><u>\$ 3,160,018</u></u>

Revenue from the School Board of Brevard County, Florida constitutes 88 percent of the School's total revenue, representing a concentration of risk.

G. Capital outlay funds

During fiscal 2009, the School used \$236,257 of Capital Outlay funds available under the Charter School Capital Outlay Program. This funding may be used for any capital outlay purpose directly related to the functioning of the charter school. These funds were used to make monthly rent payments for the school facility during the first quarter of the year, reflected in the General Fund revenues, and payments for debt service on the purchase of the school facility for the remainder of the year, reflected in the Debt Service fund.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

V. Detailed notes on all funds (Continued)

H. Designation of net assets

The Board of Directors has designated \$60,000 of net assets to be used as an operating reserve; the reserve remains in place at June 30, 2009.

V. Other information

A. 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.

General liability, automotive, and directors and officials liability coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. There has been no significant change in coverage limits, and no claims have been made over the past three years. Worker's compensation in accordance with statutory limits is provided by the School for its employees.

B. Commitments

In June 2009, the School executed a contract with a construction company to make renovations and improvements to the building. The contract totals \$538,000; \$155,718 had been expended through June 30, 2009, leaving \$382,282 remaining to be paid on the contract in fiscal 2010.

Subsequent to year end, the School entered into a contract with the School Board for transportation services for students attending the School for fiscal year ending June 2010. The cost of these services is estimated to be \$27,000.

C. Related party transactions

The School carries out several significant transactions with its sponsor, the School Board of Brevard County. During fiscal 2009, it received funding of \$2,794,705 directly from the School Board. At June 30, 2009, the School had receivables of \$18,295 from the School Board. Both the revenue and the receivable represent concentrations of risk in their respective areas for the School.

D. Retirement plan

The School sponsors a defined contribution plan for all employees who have been employed full time with the School for three years. The plan permits voluntary contributions from employees, based on a salary reduction agreement, and provides for employer matching contributions (3% for fiscal 2009). During fiscal 2009, the School made contributions of \$14,678 to the plan; twenty-four employees participated, making contributions totaling \$32,211.

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REQUIRED SUPPLEMENTARY INFORMATION

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FROM JULY 1, 2008 TO JUNE 30, 2009

	Budget		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
REVENUES						
Other government funding not restricted to specific programs	\$ 2,783,837	\$ 2,752,275	\$ 2,794,705	(1)	\$ 176,794	\$ 2,617,911
Program	262,271	267,971	232,535		-	232,535
Interest	9,000	14,630	11,392		-	11,392
Other	59,900	59,900	64,185	(2), (4)	(54,369)	118,554
TOTAL REVENUES	3,115,008	3,094,776	3,102,817		122,425	2,980,392
EXPENDITURES						
Current-education						
Instruction	1,789,879	1,777,834	1,764,276		-	1,764,276
Instructional support services	37,818	37,829	48,792		-	48,792
Instructional media services	20,326	20,331	19,119		-	19,119
Instructional staff training	6,800	6,800	6,857		-	6,857
School administration	463,895	498,502	434,899	(2),(4),(5)	64,418	370,481
Facilities acquisition	448,120	131,312	122,032		-	122,032
Fiscal services	15,000	14,500	17,500		-	17,500
Food services	26,200	26,200	40,274		-	40,274
Pupil transportation	50,427	54,915	52,294		-	52,294
Operation of plant	201,507	208,033	183,204		-	183,204
Maintenance of plant	21,000	7,000	16,756		-	16,756
Capital outlay	-	-	-		-	-
Debt service						
Principal	-	-	-	(3)	(4,971)	4,971
Interest	-	-	-	(3)	(1,501)	1,501
TOTAL EXPENDITURES	3,080,972	2,783,256	2,706,003		57,946	2,648,057
Excess (deficit) of revenues over expenditures	34,036	311,520	396,814		64,479	332,335
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	178,317		-	178,317
Transfers out	-	-	(418,574)		-	(418,574)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(240,257)		-	(240,257)
Fund balances, July 1, 2008	-	-	530,242		-	530,242
Fund balances, June 30, 2009	<u>\$ 34,036</u>	<u>\$ 311,520</u>	<u>\$ 686,799</u>		<u>\$ 64,479</u>	<u>\$ 622,320</u>

Note: The budget for the General Fund is presented on a basis consistent with generally accepted accounting principles, except for the inclusion of internal cost allocations and the exclusion of debt service expenditures.

Explanation of differences:

(1) The School general fund budget includes all Capital Outlay funding, some of which is shown in the Debt Service Fund.	\$ 176,794
(2) The School general fund budget includes internal cost allocations, which do not constitute revenues or expenditures for GAAP	-
(3) The School general fund budget does not include debt service expenditures.	6,472
(4) The School general fund budget does not include revenue or expenditures related to student clubs or fundraisers.	(20,378)
(5) The School general fund budget includes depreciation expense in the school administration function.	(98,409)
	<u>\$ 64,479</u>

**ADDITIONAL ELEMENTS REQUIRED BY
THE RULES OF THE AUDITOR GENERAL**

JANES, KEY & DINHO, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

2717 N. Wickham Road • Suite 3 • Melbourne, Florida 32935

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

To the Board of Directors
Brevard Innovative Charter Schools, Inc.

We have audited the accompanying financial statements of the governmental activities and each major funds of Brevard Innovative Charter Schools, Inc., a component unit of the School Board of Brevard County, Florida, as of and for the year ended June 30, 2009, which collectively comprise Brevard Innovative Charter Schools, Inc.'s basic financial statements and have issued our report thereon dated September 28, 2009. 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 Brevard Innovative Charter Schools, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brevard Innovative Charter Schools, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Brevard Innovative Charter Schools, Inc.'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 Brevard Innovative Charter Schools, Inc.'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 Brevard Innovative Charter Schools, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Brevard Innovative Charter Schools, Inc.'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 Brevard Innovative Charter Schools, Inc.'s internal control.

Brevard Innovative Charter Schools, Inc.
Page two

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 Brevard Innovative Charter Schools, Inc.'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*.

This report is intended solely for the information and use of the audit committee, Board of Directors and management of Brevard Innovative Charter Schools, Inc. and the School Board of Brevard County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Janes, Key & Dinho, P.A.
Janes, Key & Dinho, P.A.
Certified Public Accountants
September 28, 2009

JANES, KEY & DINHO, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

2717 N. Wickham Road • Suite 3 • Melbourne, Florida 32935
321-752-6000 • Fax 321-752-6003

MANAGEMENT LETTER

To the Board of Directors
Brevard Innovative Charter Schools, Inc.

We have audited the financial statements of Brevard Innovative Charter Schools, Inc., Florida, as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated September 28, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 28, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- The Rules require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No recommendations were made in the preceding annual financial audit report.
- The Rules require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such findings.
- The Rules require that we address 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 financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Board of Directors
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- The Rules provide that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e. g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- The Rules require the name or official title of the school. The official title of the school is Brevard Innovative Charter Schools, Inc.
- The Rules require that a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Brevard Innovative Charter Schools, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- The Rules require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

The audit report was delivered to Brevard Innovative Charter Schools, Inc. on September 29, 2009. We wish to thank Brevard Innovative Charter Schools, Inc. management and staff for their support and assistance during our audit.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this management letter is intended solely for the information and use of Brevard Innovative Charter Schools, Inc. management, the School Board of Brevard County, Florida and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Janes, Key & Dinho, P.A.
Janes, Key & Dinho, P.A.
Certified Public Accountants
September 28, 2009