

CHARTER SCHOOLS OF BOYNTON BEACH, INC.

***BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION***

Year Ended June 30, 2009

Charter Schools of Boynton Beach, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Charter Schools of Boynton Beach, Inc.
Boynton Beach, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Charter Schools of Boynton Beach, Inc. ("the School"), a Charter School, as of and for the year ended June 30, 2009, which collectively comprises Charter Schools of Boynton Beach, Inc.'s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Management of the School. 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 of America. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major funds of the School as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2009, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

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

Infante & Company

September 28, 2009
Hollywood, Florida

CHARTER SCHOOLS OF BOYNTON BEACH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Our discussion and analysis of the Charter Schools of Boynton Beach, Inc.'s ("School") financial program provides an overview of the School's financial activities for the year ended June 30, 2009.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with the School's financial statements which begin on page 6.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

**CHARTER SCHOOLS OF BOYNTON BEACH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 12-18 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. The School's assets exceeded liabilities by \$364,850 at June 30, 2009.

NET ASSETS

Current Assets	<u>\$ 411,181</u>
Total Current Assets	<u>\$ 411,181</u>
Capital Assets	<u>\$ 335,018</u>
Total Capital Assets	<u>\$ 335,018</u>
Accounts Payable	\$ 379,109
Note Payable	<u>2,240</u>
Total Liabilities	<u>\$ 381,349</u>
Investment in Capital Assets	\$ 335,018
Unrestricted	29,832
Restricted	<u>-</u>
Total Net Assets	<u>\$ 364,850</u>

Revenues for governmental activities totaled \$3,075,631 for the year ended June 30, 2009. The main sources of revenue were from the Florida Education Finance Program ("FEFP").

Revenue Source	Amount	% of Total
Capital Outlay	\$ 281,295	9%
FEFP	2,590,157	84%
Federal through local	139,586	4%
Other state through local	26,753	1%
Other revenue	<u>37,840</u>	<u>2%</u>
Total	<u>\$3,075,631</u>	<u>100%</u>

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

**CHARTER SCHOOLS OF BOYNTON BEACH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Expenses	<u>Amount</u>	<u>% of Total</u>
Basic instruction	\$ 1,146,674	40.6%
Instructions and curriculum development services	54,625	1.9%
Instructional staff training	47,834	1.7%
Board expenses	20,695	0.7%
School administration	357,784	12.7%
General administration	129,514	4.6%
Facilities acquisition & construction	607,635	21.5%
Community services	18,364	0.7%
Pupil personnel services	49,312	1.7%
Operation of plant	199,571	7.1%
Maintenance of plant	9,493	0.3%
Pupil Transportation	146,692	5.2%
Food services	836	0.0%
Fiscal services	33,013	1.2%
Total	<u>\$ 2,822,042</u>	<u>100.0%</u>

CURRENT YEAR VS PRIOR YEAR RESULTS

The 2008-2009 school year was the seventh year that the School enrolled students. Total revenue was \$3,075,631 and \$1,574,267 for the years ended June 30, 2009 and 2008, respectively. The increase in revenue was the result of the School receiving additional FEFP and capital outlay funds in 2009 due to the large increase in students. Total expenses were \$2,822,042 and \$1,622,143 for the years ended June 30, 2009 and 2008, respectively. The \$1,199,899 increase in expenses is primarily attributable to an increase in basic instruction, school administration, pupil transportation and facilities expenses.

BUDGETARY HIGHLIGHTS

Actual revenue was \$912,531 more than budgeted because the School increased enrollment which was unanticipated, causing the school to receive more FEFP funds than the amount that was actually budgeted. Basic instruction and facilities acquisition & construction were the largest of the variances when comparing budget to actual expenses, which all related to student head count caused by adding additional teachers and moving into a new larger school facility.

The total fund balance of the General Fund was \$364,850 at June 30, 2009.

PROSPECTS FOR THE FUTURE

The School moved to a new facility for the beginning of the 2008-2009 school year with an option to purchase. The School is almost at maximum capacity and management is working diligently on securing financing for the purchase of the building.

Charter Schools of Boynton Beach, Inc.
Statement of Net Assets
June 30, 2009

		Governmental Activities
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$	168,923
Accounts receivable		156,738
Deposits receivable		85,520
Total current assets		411,181
 CAPITAL ASSETS		
Capital assets, net of accumulated depreciation		
Furniture, fixtures and equipment		335,018
Total capital assets		335,018
Total assets	\$	746,199
 LIABILITES AND NET ASSETS		
CURRENT LIABILITES		
Accounts payable	\$	60,417
Accounts payable leasehold improvements		318,692
Total current liabilities		379,109
 Non-current liabilities:		
Note payable		2,240
Total non-current liabilities		2,240
Total Liabilities		381,349
 NET ASSETS		
Investment in capital assets		335,018
Unrestricted		29,832
Total net assets		364,850
Total liabilities and net assets	\$	746,199

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

Charter Schools of Boynton Beach, Inc.
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities					
Basic instruction	\$ 1,146,674	\$ -	\$ 139,586	\$ -	\$ (1,007,088)
Instructions and curriculum development services	54,625	-	-	-	(54,625)
Instructional staff training	47,834	-	-	-	(47,834)
Board expenses	20,695	-	-	-	(20,695)
School administration	357,784	-	-	-	(357,784)
General administration	129,514	-	-	-	(129,514)
Facilities acquisition & construction	607,635	-	-	281,295	(326,340)
Community services	18,364	-	-	-	(18,364)
Pupil personnel services	49,312	-	-	-	(49,312)
Operation of plant	199,571	-	-	-	(199,571)
Maintenance of plant	9,493	-	-	-	(9,493)
Pupil transportation	146,692	-	-	-	(146,692)
Food services	836	-	-	-	(836)
Fiscal services	33,013	-	-	-	(33,013)
Total governmental activities	\$ 2,822,042	\$ -	\$ 139,586	\$ 281,295	(2,401,161)
General revenues					
State through local school district					2,623,043
Miscellaneous income					29,541
Investment income					2,166
Total general revenues					2,654,750
Change in net assets					253,589
Net assets, July 1, 2008					111,261
Net assets, June 30, 2009					\$ 364,850

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

Charter Schools of Boynton Beach, Inc.
Balance Sheet - Governmental Funds
June 30, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 168,923	\$ -	\$ 168,923
Accounts receivable	156,738	-	156,738
Deposits receivable	85,520	-	85,520
Total Assets	<u>\$ 411,181</u>	<u>\$ -</u>	<u>\$ 411,181</u>
LIABILITES			
Accounts payable	\$ 60,417	\$ -	\$ 60,417
Accounts payable leasehold improvements	318,692	-	318,692
Note payable	2,240	-	2,240
Total Liabilities	<u>381,349</u>	<u>-</u>	<u>381,349</u>
FUND BALANCES			
Unrestricted	<u>29,832</u>	<u>-</u>	<u>29,832</u>
Total Fund Balances	<u>29,832</u>	<u>-</u>	<u>29,832</u>
Total Liabilities and Fund Balances	<u>\$ 411,181</u>	<u>\$ -</u>	<u>\$ 411,181</u>

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

Charter Schools of Boynton Beach, Inc.
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2009

Fund Balance - Governmental Funds	\$	29,832
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$	422,700	
Less accumulated depreciation		<u>(87,682)</u>	
			<u>335,018</u>

Net Assets of Governmental Activities	\$	<u><u>364,850</u></u>
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The accompanying notes are an integral part of this financial statement.

Charter Schools of Boynton Beach, Inc.
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2009

	General Fund	Special Revenue Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Federal passed through local sources	\$ -	\$ 139,586	\$ 139,586
State passed through local sources	2,623,043	281,295	2,904,338
Other revenues	31,707	-	31,707
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	2,654,750	420,881	3,075,631
EXPENDITURES/EXPENSES			
Basic instruction	1,007,088	139,586	1,146,674
Instructions and curriculum development services	54,625	-	54,625
Instructional staff training	47,834	-	47,834
Board expenses	20,695	-	20,695
School administration	340,635	-	340,635
General administration	129,514	-	129,514
Facilities acquisition & construction	556,240	281,295	837,535
Community services	18,364	-	18,364
Pupil expenses	49,312	-	49,312
Operation of plant	199,571	-	199,571
Maintenance of plant	9,493	-	9,493
Pupil transportation	146,692	-	146,692
Food services	836	-	836
Fiscal services	33,013	-	33,013
Total expenditures	<u>2,613,912</u>	<u>420,881</u>	<u>3,034,793</u>
Revenues over Expenditures	40,838	-	40,838
Fund balances, July 1, 2008	<u>(11,006)</u>	<u>-</u>	<u>(11,006)</u>
Fund balances, June 30, 2009	<u>\$ 29,832</u>	<u>\$ -</u>	<u>\$ 29,832</u>

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

Charter Schools of Boynton Beach, Inc.
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2009

Net Change in fund balances - governmental funds	\$	40,838
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Amounts reported for governmental activities in the statement of net assets are different because:

Deposits are not available to pay for current period expenditures and, therefore, are not reported in the funds		(97,017)
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$	326,916	
Less current year depreciation		<u>(17,148)</u>	<u>309,768</u>
Change in Net Assets of Governmental Activities	\$		<u><u>253,589</u></u>

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

CHARTER SCHOOLS OF BOYNTON BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Charter Schools of Boynton Beach, Inc. (the "School") operates as a Charter School pursuant to a Charter School Contract ("the Contract") with the School District of Palm Beach County, Florida ("the District"). Under the Contract, the School provides an elementary school education to children who reside in Palm Beach County. The governing body of the School is the Board of Directors, which is composed of six members.

The School is a non-profit organization and is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The current charter shall be for a term of 10 years commencing with the 2002 - 2003 school year. The charter may be renewed as provided in Section 1002.33, Florida Statutes, upon mutual consent of the parties and execution of a written renewal. 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. The School is a component unit of the District.

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

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.

CHARTER SCHOOLS OF BOYNTON BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs 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's funds were deemed 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, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

CHARTER SCHOOLS OF BOYNTON BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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.

Special Revenue Fund – to account for the proceeds of specific revenue sources that are 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. Budgetary basis of accounting

The School's annual budgets are adopted for the entire operations for the School and may be amended by the Board of Directors (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 over expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

5. Cash and cash equivalents

Cash is made up of cash on hand at the School and/or checking accounts held at a financial institution. Cash equivalents consist of money market funds with a maturity of three months or less that are readily convertible into cash.

CHARTER SCHOOLS OF BOYNTON BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Capital assets

Capital assets, which include property, plant and equipment, 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 \$750 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. For the year ended June 30, 2009, the School recorded net capital assets of \$335,018.

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

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	20
Computers and software	5
Vehicles	5
Furniture and fixtures	5

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.

7. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District to the School pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), 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 (FDE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect revised calculations by the FDE under the FEFP 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 requirements whereby the issuance of grant funds is withheld until qualifying 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.

CHARTER SCHOOLS OF BOYNTON BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Use of estimates

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

NOTE B - CONCENTRATIONS

1. Revenue sources

As stated in Note A-7, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

<u>Sources</u>	<u>Amounts</u>
Federal funding through local district	\$ 139,586
State funding through local district	2,904,338
Other	<u>31,707</u>
	<u>\$ 3,075,631</u>

2. Concentration of cash deposits

The School maintains cash deposits at a bank in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation up to \$250,000 through December 31, 2013. As of June 30, 2009, there were no uninsured deposit balances.

NOTE C – CAPITAL ASSETS

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

	Balance at June 30, <u>2008</u>	<u>Additions</u>	Adjustments and <u>Deletions</u>	Balance at June 30, <u>2009</u>
Capital assets depreciated:				
Computers and software	\$ 1,412	\$ -	\$ -	\$ 1,412
Vehicles	19,682	-	-	19,682
Leasehold improvements	-	310,410	-	310,410
Furniture and fixtures	<u>74,691</u>	<u>16,505</u>	-	<u>91,196</u>
Total assets depreciated	<u>\$ 95,785</u>	<u>\$326,915</u>	<u>\$ -</u>	<u>\$ 422,700</u>

CHARTER SCHOOLS OF BOYNTON BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE C – CAPITAL ASSETS (continued)

Less Accumulated depreciation				
Computers and software	\$ 1,412	\$ -	\$ -	\$ 1,412
Vehicles	4,205	1,968	-	6,173
Leasehold improvements	-	9,474	-	9,474
Furniture and fixtures	<u>64,916</u>	<u>5,706</u>	-	<u>70,623</u>
Total assets depreciated	<u>\$ 70,533</u>	<u>\$ 17,149</u>	<u>\$ -</u>	<u>\$ 87,682</u>
Total governmental activities				
Capital assets, net				<u>\$ 335,018</u>

Depreciation expense of \$17,149 was charged to the school administration function for the year ended June 30, 2009.

NOTE D - COMMITMENTS AND CONTINGENCIES

The School leased property during the year for its administrative and classroom space under a non-cancelable operating lease with an option to purchase the building. The school also leases buses and copiers. Rental expenses for the year ended June 30, 2009 were \$573,247.

Future minimum lease payments required under the leases are as follows:

June 30:	<u>Copiers</u>	<u>Buses</u>	<u>Building</u>	<u>Total</u>
2010	7,895	32,415	509,400	549,710
2011	7,895	32,415	509,400	549,710
2012	7,895	32,415	509,400	549,710
2013	3,947	32,415	509,400	545,762
2014	-	29,713	509,400	539,113
Thereafter	-	-	2,037,600	2,037,600

NOTE E – NOTE PAYABLE

Note payable is due to a bank for a bus purchase. The note payable bears interest of 12.5% with 36 equal monthly payments of principal and interest of \$303.83 per month beginning April 2007.

Total interest paid on the note payable for the year ended June 30, 2009 was \$524.

Scheduled maturities of the School's note payable are summarized as follows:

Year Ended June 30, 2010	\$ 2,653
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CHARTER SCHOOLS OF BOYNTON BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE F - RISK MANAGEMENT

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

REQUIRED SUPPLEMENTAL INFORMATION

Charter Schools of Boynton Beach, Inc.
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009
(Unaudited)

	Governmental Funds						Totals		
	Original and Final Budget	General Fund	Variance	Original and Final Budget	Special Revenue Fund	Variance	Original and Final Budget	Governmental Funds	Variance
Revenues									
Federal passed through local sources	\$ -	\$ -	\$ -	\$ 75,000	\$ 139,586	\$ (64,586)	75,000	\$ 139,586	\$ (64,586)
State passed through local sources	1,850,099	2,623,043	(772,944)	178,000	281,295	(103,295)	2,028,099	2,904,338	(876,239)
Other revenues	60,000	31,707	28,293	-	-	-	60,000	31,707	28,293
Total revenues	1,910,099	2,654,750	(744,651)	253,000	420,881	(167,881)	2,163,099	3,075,631	(912,532)
Expenses									
Basic instruction	837,255	1,007,088	(169,833)	75,000	139,586	(64,586)	912,255	1,146,674	(234,419)
Instructions and curriculum development services	-	54,625	(54,625)	-	-	-	-	54,625	(54,625)
Instructional media services	16,250	-	16,250	-	-	-	16,250	-	16,250
Instructional staff training	4,100	47,834	(43,734)	-	-	-	4,100	47,834	(43,734)
Board expenses	11,800	20,695	(8,895)	-	-	-	11,800	20,695	(8,895)
School administration	278,268	340,635	(62,367)	-	-	-	278,268	340,635	(62,367)
General administration	-	129,514	(129,514)	-	-	-	-	129,514	(129,514)
Facilities acquisition & construction	230,000	556,240	(326,240)	178,000	281,295	(103,295)	408,000	837,535	(429,535)
Community services	-	18,364	(18,364)	-	-	-	-	18,364	(18,364)
Pupil expenses	1,000	49,312	(48,312)	-	-	-	1,000	49,312	(48,312)
Operation of plant	122,776	199,571	(76,795)	-	-	-	122,776	199,571	(76,795)
Maintenance of plant	21,000	9,493	11,507	-	-	-	21,000	9,493	11,507
Pupil transportation	106,093	146,692	(40,599)	-	-	-	106,093	146,692	(40,599)
Food services	2,200	836	1,364	-	-	-	2,200	836	1,364
Central Services	44,638	-	44,638	-	-	-	44,638	-	44,638
Fiscal services	12,950	33,013	(20,063)	-	-	-	12,950	33,013	33,013
Total expenses	1,688,330	2,613,912	(925,582)	253,000	420,881	(167,881)	1,941,330	3,034,793	(1,040,387)
Revenues over expenditures	\$ 221,769	40,838	\$ 180,931	\$ -	-	\$ -	\$ 221,769	40,838	\$ 127,855
Fund Balance, July 1, 2008		(11,006)			-			(11,006)	
Fund Balance, June 30, 2009		\$ 29,832			\$ -			\$ 29,832	

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



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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 Members of
Charter Schools of Boynton Beach, Inc.
Boynton Beach, Florida

We have audited the basic financial statements of the Charter Schools of Boynton Beach, Inc., (the "School") as of and for the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

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

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

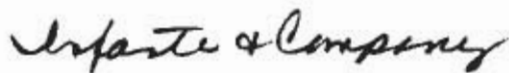
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Schools' internal control.

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

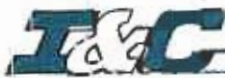
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schools' 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 management, Board of Directors, regulatory agencies of federal and state governments and the School Board of Palm Beach County. It is not intended to be and should not be used by anyone other than these specified parties.



September 28 2009
Hollywood, Florida



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MANAGEMENT LETTER

To the Board of Directors
Charter Schools of Boynton Beach, Inc.
Boynton Beach, Florida

We have audited the basic financial statements of Charter Schools of Boynton Beach, Inc. (the "School") as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated September 28, 2009.

We issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters dated September 28, 2009. 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. Recommendations were made and violations were reported in the preceding annual financial audit report. Comment 08-1 from the prior year was corrected. The School hired an office manager who has been assigned with the task of centralizing all cash and check collections in order to improve controls. Comment 09-1 is a repeat comment from the prior year.
2. There were no violations of laws, rules, regulations, and contractual provisions that: (1) have occurred, or are likely to have occurred; (2) were discovered within the scope of the financial audit; and (3) may or may not have materially affected the financial statements.
3. Please see the attached recommendations to improve the Schools' present financial management, accounting procedures and internal controls.
4. There were no illegal or improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
5. There were no matters requiring correction which may or may not materially affect the financial statements reported on, 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.

- Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.
6. The official title of the School is the *Charter Schools of Boynton Beach, Inc.*, which is a component unit of the School District of Palm Beach County, which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Act, and Section 228.056, Florida Statutes.
 7. In connection with our audit, we determined that the Charter Schools of Boynton Beach, Inc. did not meet the condition described in Section 218.503(1) and, therefore, no financial emergency will be reported.

This management letter is intended for the information of the Charter Schools of Boynton Beach, Inc.'s management and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Ernst & Company

September 28, 2009
Hollywood, Florida

Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls

09-1 Variances between budget and actual amounts by function

We noted large variances between the budget and actual amounts reported in the various functions. We recommend that management revise its budget when there are material changes in the actual amounts so the budget more closely reflects the actual amounts. This is a repeat comment.

09-2 Lack of Contracts for Certain Administrative Personnel

We noted that the COO and CEO do not have written contracts approved by the board of directors. We noted that the COO and CEO salaries were approved by the board of directors in a board meeting that discussed all employee salaries. However, we recommended that the COO and CEO get written contracts to protect themselves from any legal and/or other issues that may arise in the normal course of business.

CHARTER SCHOOLS OF BOYNTON BEACH, INC.

Concentrating in Foreign Languages, Cultural Studies and Technology

www.csbb.org



September 30, 2009

To the School District of Palm Beach County:

The following is our response to the management letter dated September 28, 2009, and each response is numbered consistently with the numbers assigned in the management letter:

09-1 Variations between budget and actual amounts by function

We will monitor the variances between budget and actual amounts during the year and amend the budget if the variances are greater than 15% per function.

09-2 Lack of Contracts for Certain Administrative Personnel

The COO and CEO will have written contracts drawn up for the 2010 fiscal year in order to provide themselves and the School with protection against any matters that could possibly arise.

Emily Nell Lagerquist
Board of Directors, Chair
Charter Schools of Boynton Beach, Inc.