

**EDUCATIONAL
HORIZONS CHARTER
SCHOOL
(A Division of Educational
Horizons, Inc.)**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2009**

BERMAN HOPKINS
WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Educational Horizons Charter School
Indian Harbour Beach, Florida



8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

www.bermanhopkins.com

We have audited the accompanying financial statements of the governmental activities and each major fund of Educational Horizons Charter School (the "School"), a division of Educational Horizons, Inc., (the "Charterholder") and 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 Educational Horizons Charter School's 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.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of Educational Horizons Charter School at June 30, 2009, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of the Charterholder. The Charterholder is a component unit of the School Board of Brevard County, Florida.

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 Educational Horizons Charter 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 July 30, 2009 on our consideration of Educational Horizons Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Educational Horizons Charter School's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

July 30, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of Educational Horizons Charter School, we offer readers of Educational Horizons Charter School's (the "School") financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2009 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the basic financial statements found on pages 8 - 21.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$101,593.
- The government's total net assets increased by \$423.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$101,502, an increase of \$625 in comparison with the prior year.

Overview of the Financial Statements

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

The School as a Whole

The information in the government-wide financial statements includes all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net assets (the difference between total assets and total liabilities) over time is one indicator of whether the School's financial health is improving or deteriorating. However, you need to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, etc., to assess the overall health of the School.

Changes in the School's net assets were as follows:

	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>%</u>
Current assets	\$ 101,834	\$ 106,993	\$ (5,159)	-5%
Capital assets - net	<u>91</u>	<u>293</u>	<u>(202)</u>	<u>-69%</u>
Total assets	<u>101,925</u>	<u>107,286</u>	<u>(5,361)</u>	<u>-5%</u>
Current liabilities	<u>332</u>	<u>6,116</u>	<u>(5,784)</u>	<u>-95%</u>
Net assets	<u>\$ 101,593</u>	<u>\$ 101,170</u>	<u>\$ 423</u>	<u>0%</u>
Net assets consist of:				
Invested in capital assets	\$ 91	\$ 293	\$ (202)	-69%
Unrestricted net assets	<u>101,502</u>	<u>100,877</u>	<u>625</u>	<u>1%</u>
Net assets	<u>\$ 101,593</u>	<u>\$ 101,170</u>	<u>\$ 423</u>	<u>0%</u>

Net assets invested in capital assets decreased due to depreciation expense in the current fiscal year. The majority of capital assets include furniture, fixtures, and equipment.

The decrease in current assets was due to a reduction in cash primarily related to the School opting to pay down liabilities which similarly decreased. In addition, the School was able to reduce its accrued payroll through an adjustment to its payroll policy.

Changes in the School's revenues were as follows:

	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>%</u>
Revenues:				
Program revenues				
Operating grants	\$ 39,560	\$ 36,490	\$ 3,070	8%
General revenues	<u>443,696</u>	<u>364,168</u>	<u>79,528</u>	<u>22%</u>
Total revenues	<u>\$ 483,256</u>	<u>\$ 400,658</u>	<u>\$ 82,598</u>	<u>21%</u>

The significant portion of revenue is provided by the Department of Education for funding through the Florida Education Finance Program based on the number of enrolled full time equivalent students. In the current fiscal year the Schools enrollment increased by approximately sixteen percent; therefore, creating an increase in revenue.

Changes in the School's expenses were as follows:

	2009	2008	Change	%
Basic instruction	\$ 231,005	\$ 197,417	\$ 33,588	17%
Exceptional instruction	16,525	19,159	(2,634)	-14%
Staff development	11,209	69	11,140	16145%
School administration	140,264	111,870	28,394	25%
Fiscal services	10,263	7,681	2,582	34%
Operation of plant	73,172	71,471	1,701	2%
Maintenance of plant	395	2,092	(1,697)	-81%
Total expenses	<u>\$ 482,833</u>	<u>\$ 409,759</u>	<u>\$ 73,074</u>	<u>18%</u>

The overall increase in expenses is primarily based on an increase in revenues and therefore more funding for certain purchased items or services. The staff development function increased as a result of teachers attending more training than in prior year and basic instruction increased due to an increase in instructional staff positions. Due to the growth in school size, the principal focused her efforts on school administration whereas in the prior year, she directly supported the exceptional instruction area for a portion of her time. Other costs are variable depending on circumstances.

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

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

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

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities) and charges for services from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the School include the overall operations of the School.

The government-wide financial statements include only the School itself, which is a component unit of the School Board of Brevard County, Florida. The School Board of Brevard County, Florida includes the operations of Educational Horizons Charter School as a component unit in their operations.

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of Educational Horizons Charter School are presented in governmental funds only.

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

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

The School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital outlay fund which is the School's major funds.

The School adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the school to demonstrate compliance with this budget.

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

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found starting on page 14 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$101,593 at the close of the most recent fiscal year.

For the end of the current fiscal year, the School is reporting a positive balance in its unrestricted net assets totaling \$101,502.

Financial Analysis of the Government's Funds

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

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

As of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$101,502.

The general fund is the main operating fund of the School. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$101,502.

During the current fiscal year, the fund balance of the School's general fund increased by \$625.

General Fund Budgetary Highlights

Budgeted revenues exceeded actual revenues by \$0. Budget expenditures exceeded the actual expenditures by \$0.

Capital asset and debt administration

Capital assets. The School's investment in capital assets for its governmental type activities as of June 30, 2009, amounts to \$91 (net of accumulated depreciation). This investment in capital assets includes improvements other than buildings and furniture, fixtures and equipment.

Debt. The School reports no long term debt at June 30, 2009.

Request for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Educational Horizons Charter School, 1240 Banana River Drive, Indian Harbour Beach, FL 32937.

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

STATEMENT OF NET ASSETS

June 30, 2009

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 96,947
Due from other agencies	3,808
Prepaid expenses	1,079
Total current assets	101,834
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Improvements other than buildings	91
Total assets	101,925
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	332
Total liabilities	332
NET ASSETS	
Investment in capital assets	91
Unrestricted	101,502
Total net assets	\$ 101,593

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

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

STATEMENT OF ACTIVITIES

For the year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 231,005	\$ -	\$ -	\$ -	\$ (231,005)
Exceptional instruction	16,525	-	-	-	(16,525)
Staff development	11,209	-	-	-	(11,209)
School administration	140,264	-	-	-	(140,264)
Fiscal services	10,263	-	-	-	(10,263)
Operation of plant	73,172	-	39,560	-	(33,612)
Maintenance of plant	395	-	-	-	(395)
Total governmental activities	\$ 482,833	\$ -	\$ 39,560	\$ -	(443,273)
			General revenues:		
			Brevard County District School Board	436,577	
			Interest income	25	
			Other revenues	7,094	
			Total revenues	443,696	
			Change in net assets	423	
			Net assets at July 1, 2008	101,170	
			Net assets at June 30, 2009	\$ 101,593	

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

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2009

	General Fund	Capital Outlay	Total Governmental Funds
ASSETS			
Cash	\$ 96,947	\$ -	\$ 96,947
Due from other funds	3,808	-	3,808
Due from other agencies	-	3,808	3,808
Prepaid expenses	1,079	-	1,079
Total assets	\$ 101,834	\$ 3,808	\$ 105,642
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 332	\$ -	\$ 332
Due to general fund	-	3,808	3,808
Total liabilities	332	3,808	4,140
FUND BALANCES			
Unreserved	101,502	-	101,502
Total liabilities and fund balances	\$ 101,834	\$ 3,808	\$ 105,642

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

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

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

June 30, 2009

Fund balances - total governmental funds \$ 101,502

The net assets reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Improvements other than buildings, net of \$242 accumulated depreciation	\$ 91	
Total capital assets		91

Total net assets of governmental activities		\$ 101,593
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The accompanying notes are an integral part of this financial statement.

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

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

For the year ended June 30, 2009

	General Fund	Capital Outlay Fund	Total Governmental Funds
Revenues			
State passed through local school district	\$ 436,577	\$ 39,560	\$ 476,137
Interest income	25	-	25
Other revenues	7,094	-	7,094
Total revenues	443,696	39,560	483,256
Expenditures			
Current:			
Basic instruction	230,895	-	230,895
Exceptional instruction	16,525	-	16,525
Staff development	11,209	-	11,209
School administration	140,172	-	140,172
Fiscal services	10,263	-	10,263
Operation of plant	33,612	39,560	73,172
Maintenance of plant	395	-	395
Total expenditures	443,071	39,560	482,631
Net change in fund balance	625	-	625
Fund balances at July 1, 2008	100,877	-	100,877
Fund balances at June 30, 2009	\$ 101,502	\$ -	\$ 101,502

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

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

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

For the year ended June 30, 2009

Net change in fund balances - total government funds	\$	625
The change in net assets reported for governmental activities in the statement of activities is different because:		
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.		
Depreciation expense		<u>(202)</u>
Change in net assets of governmental activities	\$	<u>423</u>

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

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Educational Horizons Charter School (the "School") is a division of Educational Horizons, Inc. (the "Charterholder"), a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors, which is composed of four voting members and one non-voting member. The financial information presented is that of Educational Horizons Charter School only.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the School Board of Brevard County, Florida (the "District"). The current charter is effective until June 30, 2018. 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. Educational Horizons Charter School is considered a component unit of the School Board of Brevard County, Florida.

2. Government-wide and fund financial statements

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

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets, restricted net assets, and unrestricted net assets.

Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or by laws or regulations of other governments, or enabling legislation.

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues. Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. The School reports both of its funds as its major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

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

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

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

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

**Educational Horizons Charter School
(A Division of Educational Horizons, 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)

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States 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.

Capital Outlay Fund - in accordance with guidelines established by the School Board of Brevard County, Florida, this fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

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

4. Cash and cash equivalents

Cash consists of cash on hand at the school, a checking account, a money market account and a certificate of deposit held at financial institutions.

5. Receivables

The School's receivables consist of amounts due from other agencies. After reviewing the individual account balances, the School's management has determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Interfund receivables and payables

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds.

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Capital assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$500 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Improvements other than buildings	10 - 15
Furniture, fixtures and equipment	5 - 10

8. Revenue sources

Revenues for current operations are received primarily from the Brevard County District School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (DOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the DOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during the designated FTE student survey periods.

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

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. 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 and those differences may be material.

NOTE B - CASH

Custodial Credit Risk - The School maintains its cash balances in a banking institution (the "Bank"). The Bank participates in the Federal Deposit Insurance Corporation (FDIC) Transaction Account Guarantee Program. Under this program, through December 31, 2009, all non-interest-bearing transaction accounts (demand deposit accounts) are fully guaranteed by the FDIC for the entire amount in the account. Coverage under this program is in addition to and separate from the coverage available under the FDIC's basic deposit insurance rules. Balances in other account types, including interest bearing accounts, are insured up to \$250,000. At June 30, 2009, all of the School's interest bearing accounts were fully insured. After December 31, 2009, balances up to \$100,000 will be insured.

NOTE C - CAPITAL ASSETS

Changes in capital assets are as follows:

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
Capital assets depreciated:				
Improvements other than buildings	\$ 333	\$ -	\$ -	\$ 333
Furniture, fixtures and equipment	12,787	-	-	12,787
Total assets depreciated	<u>13,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>13,120</u>
Less accumulated depreciation:				
Improvements other than buildings	219	\$ 23	\$ -	242
Furniture, fixtures and equipment	12,608	179	-	12,787
Total accumulated depreciation	<u>12,827</u>	<u>\$ 202</u>	<u>\$ -</u>	<u>13,029</u>
Total governmental activities capital assets, net	<u>\$ 293</u>			<u>\$ 91</u>

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE C - CAPITAL ASSETS (continued)

Depreciation expense for the year ended June 30, 2009 was charged to functions of the School as follows:

Basic instruction	\$	110
School administration		92
		92
	\$	202

NOTE D - CONCENTRATIONS

Revenue sources

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

Sources	Amounts
School Board of Brevard County, Florida:	
Base funding	\$ 288,551
Declining enrollment allocation	2,607
Safe schools	1,778
ESE allocation	31,724
Supplemental academic instruction	21,151
Discretionary millage	26,092
Discretionary compression	4,090
Discretionary lottery	1,723
Instructional materials allocation	6,889
Florida teachers lead	1,094
Class size reduction	73,856
Administration fee withheld (5%)	(22,978)
Subtotal	436,577
Capital outlay	39,560
Total School Board of Brevard County, Florida	476,137
Other revenues:	
Student activities	969
Donations	6,125
Interest income	25
Total revenues	\$ 483,256

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Management service contract

The School has entered into a service agreement, commencing on June 24, 2004, with The Montessori Group, Inc. (the "Management Company"). The contract is for management services through the duration of the School's charter. The Management Company is responsible for organizing, developing, managing, and operating the School. Current year management fees charged to operations totaled \$57,136. The fee is based on 12% of state passed through local school district revenue as defined in the agreement and is payable in an amount equal to one-twelfth of the annual budgeted administrative allocation.

2. Operating leases

The School is obligated to pay a facility allocation with a related party for the building where the School is located. The lease expired June 30, 2009. Current year lease expense charged to operations totaled \$58,677. A new lease was signed on July 1, 2009 (see Note I).

In addition, the School leases office equipment under an operating lease on a month-to-month basis. Current lease expense charged to operations totaled \$1,600.

NOTE F - RELATED PARTY TRANSACTION

As stated above the School has an operating lease for facilities with a related party. Details of the lease agreement can be seen at Note E-2.

NOTE G - LINE OF CREDIT

On August 2, 2001, the School obtained a \$25,000 line of credit with a bank to provide additional working capital. Interest on the note is the *Wall Street Journal* prime rate (3.25% at June 30, 2009) plus 2%. There is no collateral securing the line, and as of June 30, 2009, the loan balance was zero.

NOTE H - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the property insurance policy, the School's deductible is \$1,000 per occurrence. Settled claims resulting from the risks described above have not exceeded the insurance coverage for the previous three years.

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE I - SUBSEQUENT EVENT

On July 1, 2009, the School entered into a commercial lease agreement with a related party. The initial term of the lease begins July 1, 2009 and ends July 31, 2014. Rental payments of \$58,680 per year payable in 12 monthly installments of \$4,890 shall be due in advance on the first day of each calendar month. The School has the option of extending the lease up to 12 months following the expiration of the initial term with the same covenants, conditions and provisions.

As a result of increased enrollment for the 2009 - 2010 school year, an addendum was signed for additional classroom space. The term of this addendum begins August 1, 2009 and ends July 31, 2010 with increased rental payments of \$19,910 payable in installments of \$1,810 per month. Each installment shall be due in advance on the first day of each calendar month during the addendum term.

The following is a schedule of future minimum lease payments for the fiscal years ending June 30,

2010	\$	78,590
2011		60,490
2012		58,680
2013		58,680
2014		58,680
		<u>58,680</u>
	\$	<u><u>315,120</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

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

For the year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
FTE revenue	\$ 362,000	\$ 436,577	\$ 436,577	\$ -
Other revenues				
Donations	10,000	6,125	6,125	-
Student activities	1,000	969	969	-
Interest income	300	25	25	-
Other revenues	2,200	-	-	-
Total revenues	<u>375,500</u>	<u>443,696</u>	<u>443,696</u>	<u>-</u>
Expenditures				
Current:				
Salaries - administrative	63,000	63,301	63,301	-
Salaries - educational	173,150	192,937	192,937	-
Benefits	23,699	27,890	27,890	-
Contracted services	63,506	79,134	79,134	-
Insurance - liability	5,000	4,879	4,879	-
Postage	100	340	340	-
Printing	850	1,539	1,539	-
Supplies	2,000	3,170	3,170	-
Instructional supplies	3,060	1,218	1,218	-
Textbooks	3,250	2,378	2,378	-
Equipment under \$500	280	1,256	1,256	-
Computers under \$500	-	4,377	4,377	-
Software under \$500	-	5,000	5,000	-
Bank charges	-	348	348	-
Rental equipment	1,700	1,600	1,600	-
Instructional staff training	100	11,209	11,209	-
Miscellaneous	300	173	173	-
Student activities	1,000	946	946	-
Advertising	250	1,609	1,609	-
Telephone	1,100	1,110	1,110	-
Internet	-	795	795	-
Utilities	6,700	7,137	7,137	-
Administrative costs	800	1,298	1,298	-
Rent	13,677	19,117	19,117	-
Accounting and auditing	9,500	9,915	9,915	-
Repair other equipment	350	328	328	-
Site improvements	1,750	67	67	-
Total expenditures	<u>375,122</u>	<u>443,071</u>	<u>443,071</u>	<u>-</u>
Excess of revenues over expenditures	378	625	625	-
Fund balance at July 1, 2008	100,877	100,877	100,877	-
Fund balance at June 30, 2009	<u>\$ 101,255</u>	<u>\$ 101,502</u>	<u>\$ 101,502</u>	<u>\$ -</u>

See accompanying notes to required supplemental information.

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

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

For the year ended June 30, 2009

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Capital outlay funds	<u>\$ 45,000</u>	<u>\$ 39,560</u>	<u>\$ 39,560</u>	<u>\$ -</u>
Expenditures				
Rent	<u>45,000</u>	<u>39,560</u>	<u>39,560</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to required supplemental information.

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2009

NOTE A - BUDGETARY INFORMATION

1. Budgetary basis of accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the governmental funds and may be amended by the Board of Directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2009 have been amended according to Board procedures.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

SUPPLEMENTAL INFORMATION

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

SCHEDULE OF FUNCTIONAL EXPENDITURES - GENERAL FUND

For the year ended June 30, 2009

	Basic Instruction	Exceptional Instruction	Staff Development
Bank service fees	\$ -	\$ -	\$ -
Group insurance	5,128	-	-
Insurance	-	-	-
Miscellaneous	173	-	-
Postage	-	-	-
Printing	1,539	-	-
Professional services	7,751	7,427	11,209
Rental	-	-	-
Repairs and maintenance	-	-	-
Salaries	184,699	8,238	-
Social security	14,290	630	-
Student activities	870	76	-
Supplies	1,218	-	-
Telephone	-	-	-
Textbooks	2,378	-	-
Unemployment compensation	778	91	-
Utilities	-	-	-
Workers' compensation	1,438	63	-
Equipment	1,256	-	-
Computer hardware	4,377	-	-
Computer software	5,000	-	-
	<u>\$ 230,895</u>	<u>\$ 16,525</u>	<u>\$ 11,209</u>

School Administration	Fiscal Services	Operation of Plant	Maintenance of Plant	Total
\$ -	\$ 348	\$ -	\$ -	\$ 348
-	-	-	-	5,128
4,879	-	-	-	4,879
1,298	-	795	-	2,266
340	-	-	-	340
-	-	-	-	1,539
60,112	9,915	5,453	67	101,934
1,600	-	19,117	-	20,717
-	-	-	328	328
63,301	-	-	-	256,238
4,844	-	-	-	19,764
-	-	-	-	946
3,170	-	-	-	4,388
-	-	1,110	-	1,110
-	-	-	-	2,378
140	-	-	-	1,009
-	-	7,137	-	7,137
488	-	-	-	1,989
-	-	-	-	1,256
-	-	-	-	4,377
-	-	-	-	5,000
<u>\$ 140,172</u>	<u>\$ 10,263</u>	<u>\$ 33,612</u>	<u>\$ 395</u>	<u>\$ 443,071</u>

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

SCHEDULE OF FUNCTIONAL EXPENDITURES - CAPITAL OUTLAY FUND

For the year ended June 30, 2009

	<u>Operation of Plant</u>
Rentals	<u>\$ 39,560</u>

**Educational Horizons Charter School
(A Division of Educational Horizons, Inc.)**

SCHEDULE OF REVENUES AND EXPENDITURES - CATEGORICAL FUNDS

For the year ended June 30, 2009

Categorical	Prior Year	FY 2008 -2009		
	Carryforward	Revenue	Expenditures	Carryforward
Instructional materials	\$ -	\$ 6,889	\$ 6,889	\$ -
Florida teacher lead	-	1,094	1,094	-
Class size reduction	-	73,856	73,856	-
Total	\$ -	\$ 81,839	\$ 81,839	\$ -

**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
Educational Horizons Charter School
Indian Harbour Beach, Florida

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

We have audited the financial statements of the governmental activities and each major fund of Educational Horizons Charter School (a Charter School), a division of Educational Horizons, Inc., (the "Charterholder") and a component unit of the School Board of Brevard County, Florida, as of and for the year ended June 30, 2009, which collectively comprise Educational Horizons Charter School's basic financial statements and have issued our report thereon dated July 30, 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.

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Educational Horizons Charter School'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 Educational Horizons Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Educational Horizons Charter School's internal control over financial reporting.

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

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 School'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 Educational Horizons Charter School's financial statements that is more than inconsequential will not be prevented or detected by Educational Horizons Charter School's internal control.

www.bermanhopkins.com

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Educational Horizons Charter School's 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 Educational Horizons Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported in the management letter dated July 30, 2009.

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

This report is intended solely for the information and use of Educational Horizons Charter School's management, Board of Directors, others within the entity, the School Board of Brevard County, the State of Florida Office of the Auditor General and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

July 30, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

Honorable Board of Directors
Educational Horizons Charter School
Indian Harbour Beach, Florida



We have audited the financial statements of Educational Horizons Charter School, a component unit of the School Board of Brevard County, Florida as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated July 30, 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 Compliance and Other Matters. Disclosures in that report, which are dated July 30, 2009, should be considered in conjunction with this management letter.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of the 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 or schedule:

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations in the preceding audit report.
- Section 10.854(1)(e)3, Rules of the Auditor General, requires 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.

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

www.bermanhopkins.com

Section 10.854(1)(e)4., Rules of the Auditor General, requires 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.

- Section 10.854(1)(e)5., Rules of the Auditor General, provides 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 have identified one recommendation as listed under current year recommendations and findings at 09-01.
- Section 10.854(1)(e)6, Rules of the Auditor General, requires the name or official title of the school. The official title of the school is Educational Horizons Charter School, a division of Educational Horizons, Inc.
- Section 10.854(1)(e)2, Rules of the Auditor General, requires 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 the Educational Horizons Charter School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Educational Horizons Charter School'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.

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 letter is intended solely for the information and use of management, and the Florida Auditor General and other regulatory agencies federal and state governments, and is not intended to be and should not be used by anyone other than these specified parties.

July 30, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Current Year Recommendations and Findings

09-1 Fixed Asset Capitalization and Revenue Recognition Policies

Control Deficiency

Criteria: The School's policy is to capitalize all fixed assets purchased that have a purchase price of greater than \$500 and an estimated useful life of more than two years. In addition, generally accepted accounting principles require revenue to be recognized under the accrual basis for governmental funds in the period earned.

Condition: Upon review of the capital asset accounts, it was noted that an annual software license expense totaling \$2,500 was improperly recorded as capital. This transaction also included a donation of \$5,000 which was not recorded as revenue; adjustments were proposed and posted.

Effect: The School did not adhere to its capitalization policy, thus capital asset accounts were overstated and current year expenses were understated. Also, the School did not adhere to its revenue recognition policy, resulting in current year revenue accounts being understated.

Auditors' recommendation: We recommend that management review policies and procedures over fixed asset capitalization and revenue recognition to ensure these items are being properly recorded.



1281 South Wickham Road
West Melbourne, Florida 32904
(321) 729-0786

1240 Banana River Drive
Indian Harbour Beach, Florida 32937
(321) 779-0031

July 21, 2009

To: Berman Hopkins Wright & LaHam
CPAs & associates, LLP
8035 Spyglass Hill Road
Melbourne, FL 32940

Subject: Response to Audit Comment 09-01

Educational Horizons Charter School agrees with the finding and recommendation. The school's accounting system follows the "Educational Horizons Charter School Accounting Policies and Procedures Manual" (Revised January 2008). However, policies and procedures for fixed asset capitalization and revenue recognition are contained in other documentation.

To improve in this area the school will review and revise our policies and procedures covering fixed asset capitalization and revenue recognition, as appropriate, and revise the Accounting Policies and Procedures Manual to address these concerns.

A handwritten signature in cursive script, appearing to read "Cynthia D. Thomas".

Cynthia D. Thomas
Head of Schools