
SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2009

MARK ESCOFFERY P.A.
CERTIFIED PUBLIC ACCOUNTANT

SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of Suncoast School for
Innovative Studies, Inc.
Sarasota, Florida

I have audited the accompanying Financial Statements of the governmental activities, and each major fund, of the Suncoast School for Innovative Studies, Inc. ("the School") a component unit of the District School Board of Sarasota County as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Management of the School. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the School as of June 30, 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*, I have also issued my report dated October 16, 2009, on my consideration of the School's internal control over financial reporting and my 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 my 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 and on compliance. 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 my audit.

To The Board Members of Suncoast School for
Innovative Studies, Inc.
Sarasota , Florida
Page 2

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. I have applied certain limited procedures, which consisted principally of inquiries of Management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprised the School's basic financial statements. The accompanying Supplementary Schedule of Expenditures, Budget and Actual – Governmental Fund (General Fund) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Mark EscOFFER, P.A." The signature is written in a cursive style with a capital 'M' and 'E'.

Palm Beach Gardens, Florida
October 16, 2009

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Our discussion and analysis of Suncoast School for Innovative Studies School, Inc.'s (the "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 8.

For financial statement purposes the School is considered a component unit of the District School Board of Sarasota County which is a primary government entity for financial reporting. The School used the option to present the governmental standards and fund statement on the same page. The Statement of Net Assets and the Statement of Activities report provides information on the activities of the School. The fund financial statements reflect financing activities of the School by providing information on inflows and outflows of spendable resources.

NON FINANCIAL HIGHLIGHTS

The School's average daily enrollment for fiscal year ended June 30, 2009 was 231 students. This was less than the amount budgeted. The School expects to have an enrollment of 242 students for the school year 2009-2010.

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. The statements use the accrual basis of accounting and include all assets and liabilities. All of the current year's revenues are recorded when received and the current year's expenses are recorded when incurred.

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

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd.)

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.

Notes to 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 14-18 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 \$366,252 at June 30, 2009. This is an increase of \$180,587 over the prior year.

NET ASSETS

	<u>JUNE 30, 2009</u>	<u>JUNE 30, 2008</u>
Current and other Assets	\$ 306,630	\$ 104,216
Capital Assets	203,595	239,355
Total Assets	<u>\$ 510,225</u>	<u>\$ 343,571</u>
Long-Term Liabilities	\$ 78,694	\$ 90,882
Other Liabilities	65,279	67,024
Total Liabilities	<u>\$ 143,973</u>	<u>\$ 157,906</u>
Investment in Capital Assets	\$ 124,901	\$ 148,473
Unrestricted	241,351	37,192
Total Net Assets	<u>\$ 366,252</u>	<u>\$ 185,665</u>

Revenues from governmental activities totaled \$2,223,609 for the year ended June 30, 2009, an increase of 9.4% over the prior year. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue represented approximately 85.6% of total revenue compared to 83.5% in the prior year.

REVENUES

<u>Revenue Source</u>	<u>6/30/09</u>	<u>Percent of Total 6/30/09</u>	<u>6/30/08</u>	<u>Percent of Total 6/30/08</u>
State Sources	\$ 2,189,614	88.5	\$ 2,017,487	95.4
Local Sources	42,106	10.0	98,404	4.6
Federal Sources	33,995	1.5	-	-
Total	<u>\$ 2,265,715</u>	<u>100.0</u>	<u>\$ 2,115,891</u>	<u>100.0</u>

SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd.)

Local revenue sources are primarily after care tuition fees of approximately \$22,781 and fund raising efforts conducted by the Board of Directors and parents on behalf of the School.

Changes in levels of expenses for major functions of the School are shown in the following table:

	<u>6/30/09</u>	<u>% of Total 6/30/09</u>	<u>6/30/08</u>	<u>% of Total 6/30/08</u>
Instruction	\$ 1,115,740	53.5	\$ 1,115,916	56.8
Instructional Staff Training	3,362	.2	2,078	.1
Board Services	32,516	1.6	15,113	.8
Fiscal Services	15,419	.6	13,934	.7
School Administration	193,681	9.3	214,154	10.9
Facilities Acquisition	290,759	13.9	280,886	14.3
Pupil Transportation	116,394	5.6	88,857	4.5
Operation of Plant	104,746	5.0	75,577	3.9
Plant Maintenance	101,587	4.9	78,977	4.0
General Administration	92,937	4.5	68,333	3.5
Central Services	2,110	.1	-	-
Community Services	10,597	.5	-	-
Interest on Long Term Debt	5,279	.3	9,302	.5
Total	\$ 2,085,127	100.0	\$ 1,963,127	100.0

BUDGETARY HIGHLIGHTS

Actual revenue was more than budgeted by \$289,880 because:

State Sources revenues were more than budgeted as transportation costs and District Administration fees were included	\$ 124,696
Capital Improvement revenues exceeded the budget because they were not anticipated	145,378
Fund raising revenue exceeded the budget because it was not included in the budget	19,325
IDEA revenues exceeded the budget because they were higher than anticipated	8,995
Aftercare revenue was understated because of the decline of students in the aftercare program	(6,019)
VPK revenue was understated because of the decline of students in the wrap-around program	(1,495)
	\$ 290,880

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

BUDGETARY HIGHLIGHTS (Cont'd.)

Actual expenses were more than budget by \$135,761 because:

General Administration Expenses not included in Budget	\$ 92,937
Pupil Transportation costs not included in Budget	114,544
Wages and Benefits were understated because these were reduced due to a decline in student enrollment	(64,714)
The actual operating expenses were less than budgeted	(7,006)
	\$ 135,761

There is a surplus in the General Fund of \$241,351 at June 30, 2009.

CAPITAL ASSETS

The School's investment in capital assets at June 30, 2009 was \$203,596 (net of accumulated depreciation). This investment includes leasehold improvement, furniture and equipment (all real property is leased). The School's investment in capital assets for the year ended June 30, 2009, was as follows:

Leasehold Improvements	\$ 368,719
Furniture and Equipment	41,676
Total	410,395
Less Accumulated Depreciation	206,799
Investment in Capital Assets	\$ 203,596

Capital additions for the year totaled \$6,291. Depreciation expense was \$42,050. There were no disposals.

DEBT ADMINISTRATION

The School has a long-term debt with its landlord for build out of its facilities. The amount of the outstanding debt was \$78,694 at June 30, 2009. The School has a Line of Credit for up to \$300,000 with a local bank. The outstanding balance of the Line of Credit at June 30, 2009 was \$-0-.

PROSPECTS FOR THE FUTURE

The School continues to receive funds from State sources in the form of Florida Education Finance Program Fees (FEFP). The fees are evaluated in October and February and are based on student enrollment.

- Administration believes that the School will continue receive a higher rating from the Department of Education, based on test scores and academic achievement.
- The Administration believes that higher test scores will continue to be achieved because of investments in reading and math computer based programs.

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

PROSPECTS FOR THE FUTURE (Cont'd.)

- The School should surpass its budgeted amount of 242 students for the 2009-2010 Year.
- The Administration believes that the School will continue to progress and contribute to the educational needs of Sarasota County.

SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.

**Governmental Fund Balance Sheet (General Fund) Statement of Net Assets
June 30, 2009**

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash	\$250,732	\$	\$250,732
Accounts receivable	22,128		22,128
Prepayments	13,770		13,770
Capital Assets		203,595	203,595
Deposits	20,000		20,000
Total Assets	<u>\$306,630</u>	<u>\$203,595</u>	<u>\$510,225</u>
LIABILITIES			
Note payable		\$78,694	\$78,694
Accounts Payable	16,064		16,064
Accrued Salaries	49,215		49,215
Total Liabilities	<u>65,279</u>	<u>78,694</u>	<u>143,973</u>
FUND BALANCE/NET ASSETS			
Undesignated	<u>241,351</u>	<u>(241,351)</u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$306,630</u>		
Net Assets			
Investment in capital assets		124,901	124,901
Unrestricted		241,351	241,351
Total Net Assets		<u>\$366,252</u>	<u>\$366,252</u>

The accompanying notes are an integral part of this statement

SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
Reconciliation of the Governmental Fund (General Fund)
Balance Sheet To The Statement of Net Assets
June 30, 2009

Fund Balance- Governmental Funds		\$241,351
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Governmental capital assets	\$410,395	
Less accumulated depreciation	<u>(206,800)</u>	
		203,595
<p>Long-Term Liabilities not due and payable in the current period and therefore are not reported in the governmental funds</p>		
Notes payable		(78,694)
Net Assets of Governmental activities		<u><u>\$366,252</u></u>

The accompanying notes are an integral part of this statement

SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
Statement of Governmental Fund/Revenues, Expenditures and
Changes in Fund Balance (General Fund) Statement of Activities
Year ended June 30, 2009

	<u>Governmental Funds</u>
REVENUES:	
State sources	\$2,189,614
Federal sources	33,995
Local sources	42,106
TOTAL REVENUES	<u>2,265,715</u>
EXPENDITURES/EXPENSES	
Instruction	1,115,740
Instructional staff training	3,362
Board	32,516
General Administration	92,937
School Administration	193,681
Facilities acquisition	290,759
Fiscal Services	15,419
Pupil Transportation	116,394
Central services	2,110
Operation of Plant	62,696
Plant Maintenance	101,587
Interest on Long-term Debt	5,279
Community services	10,597
Capital Outlay	6,291
TOTAL EXPENSES	<u>2,049,368</u>
EXCESS OF EXPENDITURES OVER REVENUES	216,347
Other Sources (Uses)	
Payments on note payable	<u>(12,188)</u>
Net change in Fund balance	204,159
FUND BALANCE/NET ASSETS	
Beginning of Year	37,192
End of Year	<u>\$241,351</u>

The accompanying notes are an integral part of this statement

SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
 STATEMENT OF ACTIVITIES
 June 30, 2009

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 1,115,740	\$ 22,781	\$ 85,510		\$ (1,007,449)		(1,007,449)
Instructional Staff Training Services	3,362				(3,362)		(3,362)
Board	32,516				(32,516)		(32,516)
General Administration	92,937				(92,937)		(92,937)
School Administration	193,681				(193,681)		(193,681)
Facilities Acquisition and Construction	290,759			279,368	(11,391)		(11,391)
Fiscal Services	15,419				(15,419)		(15,419)
Food Services							
Central Services	2,110				(2,110)		(2,110)
Pupil Transportation Services	116,394				(116,394)		(116,394)
Operation of Plant	104,746				(104,746)		(104,746)
Maintenance of Plant	101,587				(101,587)		(101,587)
Technology services							
Community Services	10,597				(10,597)		(10,597)
Interest on Long-term Debt	5,279				(5,279)		(5,279)
Total governmental activities	2,085,127	22,781	85,510	279,368	(1,697,468)		(1,697,468)
Business-type activities:							
Total business-type activities							
Totals	2,085,127	22,781	85,510	279,368	(1,697,468)		(1,697,468)
General Revenues:							
Taxes:							
Florida Education Finance Program (FEFP)					1,858,730		
Grants and contributions not restricted to specific programs					19,325		19,325
Investment Income					3,176		
Total general revenues, special items, and transfers					1,878,055		1,878,055
Change in net assets					180,587		180,587
Net assets-beginning					185,665		185,665
Net assets-ending					\$366,252		\$366,252

The accompanying notes are an integral part of this statement

SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
of Governmental Fund (General Fund) To The
Statement of Activities
June 30, 2009**

Net Changes in Fund Balances- Governmental Funds \$204,159

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

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	\$6,291	
Less current year depreciation	<u>(42,050)</u>	
		<u>(35,759)</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the Governmental Funds.

Payments of Notes payable	<u>12,187</u>	
		<u>12,187</u>

Change in Net Assets of Governmental Activities \$180,587

The accompanying notes are an integral part of this statement

SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.

**Statement of Revenues, Expenditures and Changes
In Fund Balance-Budget (GAAP Basis) and Actual
All Governmental Fund Type (General Fund)
Year Ended June 30, 2009**

	Governmental Funds		
	Original and Final Budget	Actual	Variance
REVENUES:			
State sources	\$1,869,035	\$2,189,614	\$320,579
Federal sources	25,000	33,995	8,995
Local sources	81,800	42,106	(39,694)
TOTAL REVENUES	1,975,835	2,265,715	289,880
EXPENDITURES:			
Instruction	1,162,438	1,115,740	(46,698)
Instructional Staff training	5,000	3,362	(1,638)
Board	34,554	32,516	(2,038)
General Administration		92,937	92,937
School Administration	254,134	193,681	(60,453)
Facilities acquisition	293,000	290,759	(2,241)
Fiscal Services	15,800	15,419	(381)
Pupil Transportation	1,850	116,394	114,544
Central services		2,110	2,110
Operation of Plant	123,866	62,696	(61,170)
Plant Maintenance	12,265	101,587	89,322
Interest on Long-term Debt	3,500	5,279	1,779
Community services	7,200	10,597	3,397
Capital Outlay		6,291	6,291
TOTAL EXPENDITURES	1,913,607	2,049,368	135,761
EXCESS OF REVENUES OVER EXPENDITURES	\$62,228	216,347	\$154,119
Other Sources/(Uses)			
Payments on note payable		(12,188)	
Net Change in Fund Balance		204,159	
Fund Balance, beginning of year		37,192	
Fund balance, end of year		\$241,351	

The accompanying notes are an integral part of this statement

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Suncoast School for Innovative Studies, Inc. (the “School”) was established as a nonprofit organization in January 1998 under the laws of the State of Florida and is the reporting entity.

The School operates as a Charter School pursuant to a Charter School Contract (the “Contract”) with the School District of Sarasota County, Florida. Under the Contract, the School provides an integrated method of education by incorporating an experimental interdisciplinary curriculum, utilizing mentoring, multi-age classes and authentic assessment to children from kindergarten through eighth grade. For financial statement purposes the School is considered a component unit of the School District of Sarasota County which is a primary government entity for financial reporting.

The School District of Sarasota County received 5% of the Florida Education Finance Program (FEFP) revenue as an administrative fee.

The Contract is effective through June 2013. The Contract requires the School Board to provide the School’s primary source of funding based upon the number of full-time equivalent students (FTE’s) registered at the School.

The School is a tax-exempt organization under 501(C)(3) of the Internal Revenue Code.

The School’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

Basic Financial Statements

The School’s basic financial statements are the Statement of Net Assets and the Statement of Activities. All the activities of the School are classified as governmental type activities. There are no business type activities of the School. All the School’s governmental type activities are included in the general fund. There are no other major or non major funds. In the Statement of Net Assets, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The School’s net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities reports both the gross and net cost of each of the School’s functions. The functions are also supported by government revenues such as Florida Education Finance Program (FEFP), Capital Outlay Funds and Federal Grants. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (after care and youth services, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of Accounting

Basic of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounting and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The governmental type activities in the financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. When both restricted and unrestricted resources are available for use, it is the policy of the School to use restricted resources first, then the unrestricted resources as they are needed.

Measurement Focus

The accounting and financial reporting treatment is determined by applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

The Government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet and operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net assets.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financial uses) in current net assets.

Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles include the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Concentration of Credit Risk

Financial instruments that subject the School to concentrations of credit risk include cash and deposits. While the School attempts to limit its financial exposure, its cash balances may at times exceed federally insured limits. The School has not experienced any losses on such balances and all cash deposits are held at banks qualified as public depositories under Florida law.

Contributed Services

The School does not recognize any support, revenue or expense from services contributed by individual volunteers because they do not meet the criteria for measurement.

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year expenditures were controlled at the object level (i.e. salaries, purchased services and capital outlay).

Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Leasehold Improvements	10 Years
Furniture, Fixtures and Equipment	5-10 Years

NOTE 2 – CAPITAL ASSETS

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

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>Ending</u>
Leasehold Improvements	\$ 364,748	\$ 3,971	\$ -	\$ 368,719
Furniture, Fixtures and Equipment	39,356	2,320	-	41,676
	404,104	6,291	-	410,395
Less Accumulated Depreciation	164,749	42,050	-	206,799
Capital Net Assets	\$ 239,355	\$ (35,759)	\$ -	\$ 203,596

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2009**

NOTE 2 – CAPITAL ASSETS (Cont'd)

Depreciation expense of \$42,050 was charged to Operation of Plant during the year ended June 30, 2009.

NOTE 3 – LONG - TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	<u>\$ 90,882</u>	<u>\$ -0-</u>	<u>\$12,188</u>	<u>\$ 78,694</u>	<u>\$12,940</u>

Debt Maturity

Debt service requirements at June 30, 2009 were as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2010	\$ 12,940	\$ 4,369
2011	13,738	3,571
2012	14,536	2,773
2013	15,430	1,829
2014	16,324	944
Thereafter	<u>5,726</u>	<u>5</u>
	<u>\$ 78,694</u>	<u>\$ 13,491</u>

NOTE 4 – OPERATING LEASE

The School leases its facility under an operating lease that expires on April 30, 2015. Rent expense for the year ended June 30, 2009 was \$290,759. Future minimum lease payments are as follows:

Year Ending June 30,	
2010	\$ 291,000
2011	300,000
2012	309,000
2013	318,000
2014	328,000
Thereafter	<u>511,000</u>
	<u>\$ 2,057,000</u>

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2009**

NOTE 5 – COMMITMENTS AND CONTINGENCIES

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, automobile and workers compensation. A review of the last three years reveals that settled claims have not exceeded insurance coverage.

The School receives funding from the State of Florida based on the number of full time equivalent (FTE) students who attend the Charter School. The data is compiled by the School and is subject to audit by the State and if errors are found this could result in amounts having to be repaid to the State or decrease in future allocations. Management believes that the amounts that would have to be remitted to the State due to errors in their FTE count would not be material to the financial position of the School.

The School is a defendant in certain lawsuits where the plaintiffs (former employees of the School) are seeking damages related to their termination. Legal counsel feels that precedents appear to support the School's position, and they are reasonably confident that, if these precedents are followed, the pending lawsuits should be defeated. Consequently, no provision has been made in the financial statements for any associated liability. However, it is at least reasonably possible that the School's estimate of its liability may change in the near term. Any payments by reason of an adverse determination in this matter will be reported in the period of determination.

SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
Supplemental Schedule of Expenditures
Budget and Actual- Governmental Fund (General Fund)
Year Ended June 30, 2009

	Governmental Fund		
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Instructional			
Salaries	\$972,571	\$816,066	(\$156,505)
Payroll Taxes	69,114	70,366	1,252
Fringe Benefits	88,453	93,511	5,058
Workers Compensation	10,800	4,312	(6,488)
Instructional materials	18,000	14,380	(3,620)
Purchased Services	3,500	7,425	3,925
Professional fees		109,680	109,680
Total Instructional	<u>\$1,162,438</u>	<u>\$1,115,740</u>	<u>(\$46,698)</u>
Instructional Staff Training			
Purchased Services	<u>\$5,000</u>	<u>\$3,362</u>	<u>(\$1,638)</u>
Board			
Professional	\$24,500	\$22,266	(\$2,234)
Insurance	10,054	10,250	196
	<u>\$34,554</u>	<u>\$32,516</u>	<u>(\$2,038)</u>
School Administration			
Salaries	\$199,362	\$144,797	(\$54,565)
Payroll Taxes	12,319	12,703	384
Fringe benefits	16,873	9,378	(7,495)
Workers Compensation	2,620	988	(1,632)
Purchased Services	22,960	25,815	2,855
Total School Administration	<u>\$254,134</u>	<u>\$193,681</u>	<u>(\$60,453)</u>
Fiscal Services			
Professional & Technical	<u>\$15,800</u>	<u>\$15,419</u>	<u>(\$381)</u>
General Administration			
Administrative Costs		<u>92,937</u>	<u>\$92,937</u>

SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.
Supplemental Schedule of Expenditures
Budget and Actual- Governmental Fund (General Fund)
Year Ended June 30, 2009

	Governmental Fund		
	Original and Final Budget	Actual	Variance
Facilities acquisition			
Rental	<u>\$293,000</u>	<u>\$290,759</u>	<u>(\$2,241)</u>
Operation of Plant			
Salaries	\$66,163		(\$66,163)
Payroll Taxes	4,702		(4,702)
Fringe benefits	910		(910)
Communication	3,880	3,157	(723)
Utilities	40,836	41,665	829
Insurance	5,175	8,231	3,056
Other expenses	2,200	9,643	7,443
Total Operation of Plant	<u>\$123,866</u>	<u>\$62,696</u>	<u>(\$61,170)</u>
Central services			
Purchased services		<u>\$2,110</u>	<u>\$2,110</u>
Pupil Transportation			
Purchased Services		\$114,355	\$114,355
Insurance	1850	2,039	189
	<u>\$1,850</u>	<u>\$116,394</u>	<u>\$114,544</u>
Plant Maintenance			
Salaries		47,366	47,366
Benefits & Taxes		14,382	
Custodial service		31,526	
Repairs and Maintenance	10,765	8,313	(2,452)
Purchased services	1,500		(1,500)
	<u>\$12,265</u>	<u>\$101,587</u>	<u>\$43,414</u>
Interest on Long-Term Debt	<u>\$3,500</u>	<u>\$5,279</u>	<u>\$1,779</u>
Community services			
Salaries & benefits	<u>\$7,200</u>	<u>\$10,597</u>	<u>\$3,397</u>
Capital Outlay			
Building and Equipment		<u>\$6,291</u>	<u>\$6,291</u>

Mark Escoffery, P.A.

Certified Public Accountant

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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 Suncoast School for
Innovative Studies, Inc.
Sarasota, Florida

I have audited the basic financial statements of the Suncoast School for Innovative Studies, Inc., (“the School”) as of and for the year ended June 30, 2009, and have issued my report thereon dated October 16, 2009. I conducted my 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 my audit, I considered the School’s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing and opinion on the effectiveness of the School’s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the School’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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 the School’s financial statements that is more than inconsequential will not be prevented or detected by the School’s internal control.

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

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

To the Board Members of Suncoast School for
Innovative Studies, Inc.
Sarasota, Florida
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 Board Members, Management, others within the School and Federal Awarding Agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Maude Escoffey, P.A." The signature is written in a cursive style and is located in the lower right quadrant of the page.

Palm Beach Gardens, Florida
October 16, 2009

Mark Escoffery, P.A.

Certified Public Accountant

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Palm Beach Gardens, FL 33410

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MANAGEMENT LETTER

To the Board Members of Suncoast School for
Innovative Studies, Inc.
Sarasota Florida

I have audited the basic financial statements of the Suncoast School for Innovative Studies, Inc., as of and for the year ended June 30, 2009, and have issued my report thereon dated October 16, 2009.

I have issued my Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance dated October 16, 2009. Disclosures in that report, if any, should be considered in conjunction with this Management Letter.

I conducted my 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. Additionally, my audit was conducted in accordance with the Provisions of Chapter 10.850, *Rules of the Auditor General*, which govern the conduct of charter school audits performed in the State of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* Section 10.854(1)(d)1 require that I comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the prior year have been implemented.

The *Rules of the Auditor General* Section 10.854(1)(d)2 require that I comment on whether the School has met any of the conditions described in Section 218.503(1), Florida Statutes. The School has not met any of the conditions described in Section 218.503(1), Florida Statutes.

The *Rules of the Auditor General* Section 10.854(1)(d)5 require that I state whether there were any findings or recommendations made for the current year. There is a finding and recommendation made for the current year ended June 30, 2009.

The *Rules of the Auditor General* Section 10.855(10) require that I state whether the scope of the audit included the use of financial condition assessment procedures to determine whether deteriorating financial conditions exist pursuant to Section 218.39(5) Florida Statutes. The scope of the audit included the use of financial condition assessment procedures and there were no deteriorating financial conditions existing pursuant to Section 218.39(5) Florida Statutes.

SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.

MANAGEMENT LETTER COMMENT

Funding

It was noted during the audit that the School does not have an adequate system to account for its after care revenue.

Criteria

Charter School best practices

Effect

Failure to properly account for after care revenue could result in the non collection of fees. Management would not be aware of uncollected revenues unless it has an accurate receivable system which is reconciled at least monthly.

RECOMMENDATION

In order to strengthen cash management and improve internal accounting control, Management should have an accounts receivable system. Parents could be billed monthly and collections made would be reconciled to cash deposit records. Outstanding balances could then be followed up for subsequent collections.

OTHER CURRENT YEAR COMMENTS

My report did not disclose any additional items that would be required to be reported under Chapter 10.854(1)(d) *Rules of the Auditor General*.

This report is intended solely for the information and use of the School's Board Members, Management, pass-through entities 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.



Palm Beach Gardens, Florida
October 16, 2009