

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

The CHARTER SCHOOL OF EXCELLENCE
*A Charter School under Charter School of
Excellence, Inc. and a Component Unit of
the Broward County School District*

June 30, 2009

Charles A. Krblich, P.A.
Certified Public Accountant

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Charles A. Krblich, P.A.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Charter School of Excellence, Inc.
Fort Lauderdale, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of Charter School of Excellence (the "School"), a charter school under Charter School of Excellence, Inc. and a component unit of the Broward County School District, 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 the Charter School of Excellence's management. Our responsibility is to express an opinion on these financial statements based on our audit.

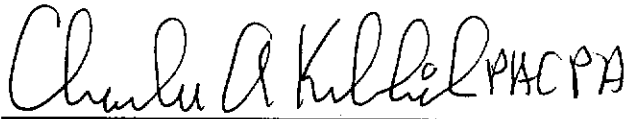
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the accompanying financial statements referred to above present only the financial position of Charter School of Excellence at June 30, 2009, and the respective changes in financial position for the year ended, and is not intended to be a complete presentation of Charter School of Excellence, Inc.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2009, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 on pages 3 - 6 and budgetary comparison schedule on page 13, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

 Charles A. Kubler, CPA

Fort Lauderdale, Florida
September 29, 2009

Charter School of Excellence
*A Charter School under Charter School of Excellence, Inc. and Component Unit of the
Broward County School District*
**MANAGEMENT'S DISCUSSION AND ANALYSIS -
UNAUDITED**

The Charter School of Excellence's management discussion and analysis presents an overview of the School's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the School's financial statements beginning on page 7.

FINANCIAL HIGHLIGHTS

- The total net assets increased \$60 thousand. Assets exceeded liabilities (net assets) by \$753 thousand; net assets consist of an investment in capital assets of \$644 thousand and unrestricted net assets of \$108 thousand.
- General revenues accounted for \$2,110 thousand, or 89% of all revenues. Program specific revenues consisting of grants, contributions and charges for services accounted for \$272 thousand or 11% of revenues.
- On a *funds* basis, there was an excess of revenues over expenditures of \$107 thousand. Total revenues increased by \$158 thousand and expenditures decreased by \$8,500.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide (component unit) financial statements, 2) fund financial statements, and 3) notes to 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 finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the School, 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 net assets of the School 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 cash flows*.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund Financial Statements. A *fund* is a group 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. The School currently utilizes the general fund.

Governmental funds. *Governmental funds* are used to account for essentially the same function 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 government's near-term financing requirements.

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

The governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance provide detailed information about the School's most significant fund. The School has one fund, a General Fund.

The School adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 9 through 12 of this report.

Notes to Financial Statements

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

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 \$752,592 at the close of the most recent fiscal year.

Charter School of Excellence's Net Assets

	Component Unit Activities	
	2009	2008
Current and other assets	\$ 411,500	\$ 215,636
Capital assets	644,333	691,666
Total assets	<u>1,055,833</u>	<u>907,302</u>
Other liabilities	303,241	214,622
Total liabilities	<u>303,241</u>	<u>214,622</u>
Net assets:		
Capital assets	644,333	691,666
Unrestricted	108,259	1,014
Total net assets	<u>\$ 752,592</u>	<u>\$ 692,680</u>

Charter School of Excellence's Changes in Net Assets

	Component Unit Activities		Increase (Decrease)
	2009	2008	from Fiscal 2008
Revenues			
Program revenues			
Charges for services	\$ 101,112	\$ 108,489	(7,377)
Operating grants and contributions	170,501	183,038	(12,537)
General revenues			
State sources	1,978,968	1,951,211	27,757
Other local revenues	130,465	162,147	(31,682)
Investment earnings	338	1,775	(1,437)
Total revenues	<u>2,381,384</u>	<u>2,406,660</u>	<u>(25,276)</u>
Expenses			
Instructional	902,257	909,165	(6,908)
Pupil personnel services	14,014	9,883	4,131
Instruction and curriculum development	9,239	4,545	4,694
Instructional staff training services	1,563	17,632	(16,069)
General administration	99,249	113,325	(14,076)
School administration	224,034	334,808	(110,774)
Facilities acquisition and construction	145,097	120,950	24,147
Fiscal services	175,160	234,363	(59,203)
Food services	27,693	17,053	10,640
Central services	357,426	427,743	(70,317)
Pupil Transportation services	88,644	0-	88,644
Operation of plant	210,412	183,035	27,377
Maintenance of plant	66,684	63,986	2,698
Total expenses	<u>2,321,472</u>	<u>2,436,488</u>	<u>(115,016)</u>
Changes in net assets	59,912	(29,828)	89,740
Net assets -- beginning	692,680	722,508	(29,828)
Net assets -- ending	<u>\$ 752,592</u>	<u>\$ 692,680</u>	<u>\$ 59,912</u>

- The largest dollar decrease in revenues is from other local revenues.
- The largest decreases in expenses are School Administration and Central Services.

Financial Analysis of the School'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.

General fund. The general fund is the chief operating fund of the School; at the present time, this is also the only operating fund. At the end of the fiscal year, the general fund had a balance of \$108,259.

- Total revenues increased by \$158 thousand (6.6%) principally from an increase in FEFP revenue from additional students.
- Expenditures for general School purposes decreased by \$8,500 (0.4%).

General Fund Budgetary Highlights

- Total revenues were more than budgeted amounts by \$167 thousand (7.6%). Grants and other revenues were over the amounts budgeted by \$33 thousand.
- Budgeted expenditures were 2.7% lower than expected. Most categories had favorable variance with the noted exception of transportation.

Capital Asset Administration

Capital assets at June 30, 2009 and 2008 are outlined below:

Charter School of Excellence's Capital Assets
(Net of depreciation)

	Component Unit Activities	
	2009	2008
Buildings and improvements	\$ 457,903	\$ 480,192
Furniture, fixtures and equipment	186,430	211,474
Total capital assets, net of depreciation	\$ 644,333	\$ 691,666

Additional information on the School's capital assets can be found in Note D to the financial statements. (See page 18 of this report).

Requests for Information

This financial report is designed to provide a general overview of Charter School of Excellence'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 information should be addressed to the Finance Director, Charter School of Excellence, Inc., 1217 Southeast 3rd Avenue, Fort Lauderdale, Florida 33316.

Charter School of Excellence
*A Charter School under Charter School of Excellence, Inc. and
 Component Unit of the Broward County School District*
Statement of Net Assets
 June 30, 2009

		Governmental Activities
ASSETS		
Cash and cash equivalents	\$	70,068
Prepaid expenses		2,021
Accounts receivable		14,813
Other receivable		139,715
Due from other agencies		173,673
Deposits		11,210
Capital assets, net		<u>644,333</u>
Total assets	\$	<u>1,055,833</u>
LIABILITIES		
Accounts payable and accrued expenditures/expenses	\$	40,302
Accrued payroll, payroll taxes and withholdings		57,014
Line of credit		100,000
Loan payable		<u>105,925</u>
Total liabilities		<u>303,241</u>
NET ASSETS		
Invested in capital assets		644,333
Unrestricted		<u>108,259</u>
Total net assets	\$	<u><u>752,592</u></u>

The accompanying notes are an integral part of this statement.

Charter School of Excellence
A Charter School under Charter School of Excellence, Inc.
and Component Unit of the Broward County School District
Statement of Activities

For the year ended June 30, 2009

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets
PROGRAM EXPENSES AND REVENUES:					
COMPONENT UNIT ACTIVITIES:					
Instruction	\$ 902,257	\$ 101,112	\$ -	\$ -	(801,145)
Pupil personnel services	14,014	-	-	-	(14,014)
Instruction and curriculum development	9,239	-	-	-	(9,239)
Instructional staff training services	1,563	-	-	-	(1,563)
General administration	99,249	-	-	-	(99,249)
School administration	224,034	-	-	-	(224,034)
Facilities acquisition and construction	145,097	-	-	145,097	-
Fiscal services	175,160	-	-	-	(175,160)
Food services	27,693	-	-	-	(27,693)
Central services	357,426	-	-	-	(357,426)
Pupil transportation services	88,644	-	-	-	(88,644)
Operation of plant	210,412	-	-	-	(210,412)
Maintenance of plant	66,684	-	-	25,404	(41,280)
	\$ 2,321,472	\$ 101,112	\$ -	\$ 170,501	(2,049,859)
GENERAL REVENUES:					
State Sources - categorical programs and other					1,978,968
Other local sources					130,465
Unrestricted investment earnings, net					338
Total general revenues					<u>2,109,771</u>
					59,912
Change in net assets					
Total net assets, beginning of year					<u>692,680</u>
Total net assets, end of year					<u>\$ 752,592</u>

The accompanying notes are an integral part of this statement.

Charter School of Excellence
*A Charter School under Charter School of Excellence, Inc. and
 Component Unit of the Broward County School District*
BALANCE SHEET - GOVERNMENTAL FUND
 June 30, 2009

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 70,068
Prepaid expenses	2,021
Accounts receivable	14,813
Loan receivable	139,715
Due from other agencies	173,673
Deposits	<u>11,210</u>
Total assets	\$ <u><u>411,500</u></u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable and accrued expenditures/expenses	\$ 40,302
Accrued payroll, payroll taxes and withholdings	57,014
Line of credit	100,000
Loan payable	<u>105,925</u>
Total liabilities	<u>303,241</u>
 FUND BALANCE	
Unreserved/undesignated	<u>108,259</u>
Total fund balance	<u>108,259</u>
 Total liabilities and fund balance	 \$ <u><u>411,500</u></u>

The accompanying notes are an integral part of this statement.

Charter School of Excellence
*A Charter School under Charter School of Excellence, Inc. and
Component Unit of the Broward County School District*
**RECONCILIATION of the BALANCE SHEET - GOVERNMENTAL FUND
to the STATEMENT OF NET ASSETS**
June 30, 2009

Total fund balance - governmental fund \$ 108,259

Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in component unit activities are not financial resources and
are not reported in the funds. Total cost of assets is \$1,181,001 and the
accumulated depreciation is \$536,668.

644,333

Total net assets - governmental activities \$ 752,592

The accompanying notes are an integral part of this statement.

Charter School of Excellence
A Charter School under Charter School of Excellence, Inc. and
Component Unit of the Broward County School District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
For the year ended June 30, 2009

	General Fund
REVENUES:	
State sources	
Categorical programs and other	\$ 1,978,968
Capital outlay funding	170,501
Total state sources	2,149,469
 Local sources	
Fundraising and contributions, net	5,762
Grants and other	225,815
Total local sources	231,577
Unrestricted investment earnings	338
Total Revenues	2,381,384
 EXPENDITURES:	
Current	
Instruction	844,755
Pupil personnel services	14,014
Instruction and curriculum development	9,239
Instructional staff training services	1,563
General administration	99,249
School administration	212,124
Facilities acquisition and construction	145,097
Fiscal services	175,160
Food services	27,693
Central services	357,426
Pupil transportation services	88,644
Operation of plant	210,412
Maintenance of plant	66,684
Capital outlay	22,079
Total Expenditures	2,274,139
Net change in fund balance	107,245
Fund Balance - Beginning of Year	1,014
Fund Balance - End of Year	\$ 108,259

The accompanying notes are an integral part of this statement.

Charter School of Excellence
A Charter School under Charter School of Excellence, Inc.
and Component Unit of the Broward County School District
RECONCILIATION of the STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
to the STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

Net change in fund balance - governmental fund \$ 107,245

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

Governmental funds report capital outlays as expenditures. However in the statement of activities the costs of those capital outlays that benefit the School are posted as assets and are allocated over their estimated useful lives and reported as depreciation. This amount is the net by which depreciation exceeded capital outlays.

(47,333)

Change in net assets of governmental activities \$ 59,912

The accompanying notes are an integral part of this statement.

Charter School of Excellence
*A Charter School under Charter School of Excellence, Inc. and
 Component Unit of the Broward County School District*
BUDGET TO ACTUAL COMPARISON SCHEDULE -
GENERAL FUND - UNAUDITED
 For the year ended June 30, 2009

	<u>Budgeted (Original and Final)</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
State sources			
Categorical programs and other	\$ 1,991,052	\$ 2,149,469	\$ 158,417
Total state sources	<u>1,991,052</u>	<u>2,149,469</u>	<u>158,417</u>
Local sources			
Fundraising and contributions, net	30,900	5,762	(25,138)
Grants and other	192,618	225,815	33,197
Total local sources	<u>223,518</u>	<u>231,577</u>	<u>8,059</u>
Unrestricted investment earnings	<u>-</u>	<u>338</u>	<u>338</u>
Total Revenues	2,214,570	2,381,384	166,814
EXPENDITURES:			
Current			
Instruction	866,847	844,755	22,092
Pupil personnel services	22,600	14,014	8,586
Instruction and curriculum development	34,778	9,239	25,539
Instructional staff training services	7,535	1,563	5,972
General administration	108,300	99,249	9,051
School administration	227,774	212,124	15,650
Facilities acquisition and construction	115,900	145,097	(29,197)
Fiscal services	94,018	175,160	(81,142)
Food services	-	27,693	(27,693)
Central services	310,182	357,426	(47,244)
Pupil transportation services	-	88,644	(88,644)
Operation of plant	207,333	210,412	(3,079)
Maintenance of plant	29,852	66,684	(36,832)
Contingency	189,451	-	189,451
Capital outlay	<u>-</u>	<u>22,079</u>	<u>(22,079)</u>
Total Expenditures	<u>2,214,570</u>	<u>2,274,139</u>	<u>(59,569)</u>
Net change in fund balance	-	107,245	107,245
Fund Balance - Beginning of Year	<u>1,014</u>	<u>1,014</u>	<u>1,014</u>
Fund Balance - End of Year	<u>\$ 1,014</u>	<u>\$ 108,259</u>	<u>\$ 108,259</u>

The accompanying notes are an integral part of this statement.

Charter School of Excellence

A Charter School under Charter School of Excellence, Inc. and Component Unit of the Broward County School District

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Charter School of Excellence (the "School" or "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Based on guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audits of State and Local Governments and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Reporting Entity

Charter School of Excellence is a charter school under Charter School of Excellence, Inc., a not-for-profit corporation, organized pursuant to Chapter 617, of the Florida Statutes, the Florida Not for Profit Corporation Act, and Section 228.056, of the Florida Statutes. The governing body of the School is the Board of Directors of Charter School of Excellence, Inc., which governs various other charter schools. The charter provides that the day-to-day financial management and internal accounting procedures of the Charter School are under the purview of the management of the Charter School.

The general operating authority of the Charter School is contained in Section 228.056, of the Florida Statutes. The Charter School operates under a charter of the sponsoring school district, the Broward County School District (the "District"). The current charter is effective until June 30, 2010 and may be renewed in increments of five years by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Charter School of Excellence is considered a component unit of the Broward County School District.

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

Component Unit and Fund Financial Statements

The component unit financial statements (the Statement of Net Assets and the Statement of Activities) report information on the activities of the component unit.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly

Charter School of Excellence
*A Charter School under Charter School of Excellence, Inc. and Component Unit of the Broward
County School District*

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE A - CONTINUED

Component Unit and Fund Financial Statements - continued

identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds; in the case of the School, the general fund represents the only such fund.

Measurement Focus, Basis of Accounting and Basis of Presentation

Component Unit Financial Statements:

The component unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. State source revenues, grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated sources are reported as general revenues rather than as program revenues. Likewise, general revenues include State source revenues.

Fund Financial Statements:

Fund financial statements (Governmental) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

- The general fund is the School's only operating fund. The general fund accounts for all financial resources, except those required to be accounted for in another fund (currently no other such funds exist).

Charter School of Excellence

A Charter School under Charter School of Excellence, Inc. and Component Unit of the Broward County School District

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE A – CONTINUED

Investments

The School's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the component unit financial statements. Property, plant, and equipment with initial individual costs that equal or exceed \$500 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Property, plant, and equipment are depreciated using the straight-line method over the following estimated lives:

Buildings and improvements	10 – 30 years
Computer equipment	5 years
School equipment	7 – 10 years
Leasehold improvements	5 – 15 years
Furniture and equipment	7 years

Revenue Sources

Revenues for operations will be received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report 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 full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. In addition, the School receives an annual allocation of charter school capital outlay funds for leasing of school facilities.

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

Charter School of Excellence

*A Charter School under Charter School of Excellence, Inc. and Component Unit of the Broward
County School District*

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE A – CONTINUED

Compensated Absences

Full time employees of the School, after 90 days of employment, are entitled to be paid for ten or twelve days of sick leave in each calendar year, depending on whether they are ten or twelve month employees, respectively. In the event of termination, each qualifying employee is not entitled to receive payment for accumulated unused sick days.

Each full time twelve-month employee is entitled to annual paid vacation leave, which is accrued when earned. The amount of paid vacation time ranges from five days after one-year employment to fifteen days after ten years employment. In the event of termination, each qualifying employee is entitled to receive payment equal to one hundred percent of the value of the total accumulated unused vacation days.

Long-Term Obligations

In the component unit financial statements, long-term debt and other long-term obligations are reported as liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Budgetary Data

Budgets are presented on the modified accrual basis of accounting for the general fund.

NOTE B – DEPOSITS POLICY AND CREDIT RISK

It is the School's policy to maintain its cash and cash equivalents in major banks. As of June 30, 2009, the carrying amount of the School's deposits was \$70,068 and the respective bank balances totaled \$74,835. The School's deposits are covered by the Federal Depository Insurance Corporation (FDIC) up to \$250,000.

NOTE C – RELATED PARTY TRANSACTIONS

The School conducts certain business with a Foundation controlled by a member of its Board of Directors and deems that all services and materials supplied are arms length transactions and at fair value. In addition, this member recuses from voting on matters relating to these transactions. See Note J.

Charter School of Excellence
*A Charter School under Charter School of Excellence, Inc. and Component Unit of the Broward
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NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2009

NOTE C- CONTINUED

The CEO/Superintendent of the School is an officer of the Florida Consortium of Public Charter Schools. At June 30, 2009 the School had advanced \$139,715 to the Consortium and is shown as other receivable on the statement of net assets.

At June 30, 2009 the School had a loan payable of \$105,928 to a private foundation whose Board of Directors includes the Superintendent and three members of the School's Board of Directors. In addition, the School has entered into a lease with the Foundation for its administrative offices. See Notes E and J.

Charter School of Excellence, Inc. operates various other charter schools. At June 30, 2009 the School had advanced funds totaling \$173,673 to these other schools and is shown as due from other agencies in the statement of net assets.

NOTE D - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2009 is as follows:

Description	Beginning Balance	Additions	Removals	Ending Balance
Buildings and improvements	\$ 691,354	\$ 2,205	\$ -	\$ 693,559
Furniture, fixtures and equipment	467,568	19,874	-	487,442
Total capital assets	1,158,922	22,079	-	1,181,001
Accumulated depreciation:				
Buildings and improvements	(211,161)	(24,495)	-	(235,656)
Furniture, fixtures and equipment	(256,095)	(44,917)	-	(301,012)
Total accumulated depreciation	(467,256)	(69,412)	-	(536,668)
Total capital assets, net	\$ 691,666	\$ (47,333)	\$ -	\$ 644,333

Depreciation was charged to School functions as follows:

Component unit activities:	
Instructional	\$57,502
School administration	11,910
Total depreciation expense	<u>\$69,412</u>

NOTE E – LOANS PAYABLE (SHORT-TERM DEBT)

At June 30, 2009 the School had a \$100,000 line of credit with a financial institution; the balance outstanding at year end was \$100,000. Interest is charged at prime plus two percent. Interest expense for the year ended June 30, 2009 was \$4,847.

Charter School of Excellence
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE E – CONTINUED

A summary of changes in short-term debt for the year ended June 30, 2009 is as follows:

Description	Beginning Balance	Issued	(Retired)	Ending Balance
Line of credit – Financial Institution	\$ -	\$ 100,000	\$ -	\$ 100,000
Loan payable (see Note C)	-	105,925	-	105,925
Totals	\$ -	\$ 205,925	\$ -	\$ 205,925

NOTE F – FEDERAL, STATE AND LOCAL REVENUE SOURCES

The following is a schedule of the School's Federal, State and local revenues for the year ended June 30, 2009.

Sources	Amount
Federal:	
Title I	\$ 83,362
Total Federal Revenues	\$ 83,362
State:	
Florida Education Finance Program	\$ 1,351,643
Categorical Education Programs:	
Class Size Reduction	359,869
Supplementary Academic Instruction	69,997
Instructional Materials	27,539
Lottery Allocation	7,858
Safe School	7,640
ESE Guaranteed Allocation	20,391
Science Lab, Library Media & Summer Reading	2,720
Capital outlay	170,501
Florida School Recognition	25,160
Merit Award Program	16,316
Total State Revenues	\$ 2,059,634
Local:	
Discretionary local	\$ 129,453
Total Local Revenues	\$ 129,453
Total Federal, State and Local Revenues	\$ 2,272,449

As provided in the charter school contract, the District has charged the School an administrative fee equal to 5% of the total funding or \$98,722, which is reflected in fiscal services expense/expenditures in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances-governmental funds.

Charter School of Excellence

*A Charter School under Charter School of Excellence, Inc. and Component Unit of the Broward
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE G - 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.

NOTE H – RETIREMENT PLAN

The School participates in the Florida Retirement System (FRS). The plan is administered by the State Board of Administration and is open to all employees. Employees may choose between a defined benefit retirement plan or a defined contribution retirement plan. Regardless of plan type, all contributions are made by the School. Contributions are based on a percent of salary and the employee's FRS membership class and vesting depends on the employee's choice of plan. Expenses for the Florida Retirement System for the year ended June 30, 2009 were \$114,095.

NOTE I – MAJOR CONTRACTS

The Board of Directors has entered into an employment contract with its Superintendent. The term of this agreement commenced April 16, 2008 and continues until April 15, 2023 or until employment is terminated. Under the terms of this contract, the Superintendent is entitled to severance pay if the contract is terminated without showing reasonable cause in the amount equal to all of the aggregate salary and benefits to which the Superintendent would have otherwise been entitled under the agreement, from the date of termination for the remaining term of the agreement, in a lump sum within thirty days after the date of termination. It is impractical to estimate the amount of compensation relating to a termination, and, accordingly, no liability has been recognized in the accompanying financial statements. It is the School's policy to recognize these costs of termination when and if actually paid.

NOTE J - COMMITMENTS AND CONTINGENCIES

The School leases facilities under an operating lease. In addition, the School leases portable classrooms from a foundation controlled by a member of the Board of Directors and administrative offices from a private foundation controlled by members of the Board of Directors (see Note C). Rent expense for the year ended June 30, 2009 was \$145,097. Of this amount \$8,100 and \$24,132, were paid to the related parties, respectively. Future minimum rental payments for the years ended June 30, are as follows:

2010	\$ 172,222
2011	\$ 165,878
2012	\$ 113,671
2013	\$ 113,671
2014 and thereafter	\$1,364,052

COMPLIANCE SECTION

Charles A. Krblich, P.A.

Certified Public Accountants

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
Charter School of Excellence, Inc.
Fort Lauderdale, Florida

We have audited the financial statements of the governmental activities and the major fund of Charter School of Excellence (the "School"), a charter school under Charter School of Excellence, Inc. and a component unit of the Broward County School District, as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charter School of Excellence's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we 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 a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the 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 Charter School of Excellence's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the School, the District School Board of Broward County, Florida, the Florida Department of Education, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



Fort Lauderdale, Florida
September 29, 2009

Charles A. Krblich, P.A.

Certified Public Accountants

MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Directors
Charter School of Excellence, Inc.
Fort Lauderdale, Florida

We have audited the financial statements of the governmental activities and the major fund of Charter School of Excellence (the "School"), a charter school under Charter School of Excellence, Inc. and a component unit of the Broward County School District, as of and for the fiscal year ended June 30, 2009, which collectively comprise Charter School of Excellence's basic financial statements, and have issued our report thereon dated September 29, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters required by *Government Auditing Standards*. Disclosures in this report, which is dated September 29, 2009, should be considered in conjunction with this management letter.

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

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 findings or recommendations made in the preceding annual financial 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 recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, 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 have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

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 Charter School of Excellence.

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 Charter School of Excellence did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Charter School of Excellence'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, the Florida Auditor General, the District School Board of Broward County, and the Florida Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Fort Lauderdale, Florida
September 29, 2009