

***CHARTER SCHOOLS OF BOYNTON BEACH, INC.***

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

***Year Ended June 30, 2010***

**Charter Schools of Boynton Beach, Inc.**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Charter Schools of Boynton Beach, Inc. ("the School"), a Charter School, as of and for the year ended June 30, 2010, which collectively comprises Charter Schools of Boynton Beach, Inc.'s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Management of the School. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major funds of the School as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2010, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

*Unfaste & Company*

September 28, 2010  
Hollywood, Florida

**CHARTER SCHOOLS OF BOYNTON BEACH, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

Our discussion and analysis of the Charter Schools of Boynton Beach, Inc.'s ("School") financial program provides an overview of the School's financial activities for the year ended June 30, 2010.

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 7.

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

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### ***Government-Wide Financial Statements***

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

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

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

### ***Fund Financial Statements***

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

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

**CHARTER SCHOOLS OF BOYNTON BEACH, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

*Notes to the Financial Statements*

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 13-18 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 \$400,176 and \$364,850 at June 30, 2010 and 2009, respectively.

	<b>NET ASSETS</b>		
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>Variances</u></b>
Current assets	\$ 537,714	\$ 411,181	\$ 126,533
Capital assets	<u>349,400</u>	<u>335,018</u>	<u>14,382</u>
Total assets	<u>\$ 887,114</u>	<u>\$ 746,199</u>	<u>\$ 140,915</u>
Current liabilities	\$ 486,938	\$ 379,109	\$ 107,829
Non-current liabilities	<u>-</u>	<u>2,240</u>	<u>(2,240)</u>
Total liabilities	<u>486,938</u>	<u>381,349</u>	<u>105,589</u>
Net assets			
Investment in Capital Assets	\$ 349,400	335,018	\$ 14,382
Unrestricted	<u>50,776</u>	<u>29,832</u>	<u>20,944</u>
Total Net Assets	<u>400,176</u>	<u>364,850</u>	<u>\$ 35,326</u>
Total liabilities and net assets	<u>\$ 887,114</u>	<u>\$ 746,199</u>	<u>\$ 140,915</u>

**CHARTER SCHOOLS OF BOYNTON BEACH, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

<u>Revenue Source</u>	<u>2010</u>	<u>2009</u>	<u>Variance</u>
Federal passed through local schools	\$ 204,950	\$ 139,586	\$ 65,364
State passed through local school	2,809,758	2,904,338	(94,580)
Other Revenue	<u>55,461</u>	<u>31,707</u>	<u>23,754</u>
Total	<u>\$ 3,070,169</u>	<u>\$ 3,075,631</u>	<u>\$ (5,462)</u>

Revenues for governmental activities totaled \$3,070,169 and \$3,075,631 for the years ended June 30, 2010 and 2009, respectively. The main source of revenue was from the Florida Education Finance Program ("FEFP") which represented approximately 84% of total revenue for the years ended June 30, 2010 and 2009.

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

	<u>2010</u>	<u>2009</u>	<u>Variance</u>
Instruction	\$ 1,209,802	\$ 1,146,674	\$ 63,128
Pupil personnel services	149,490	49,312	100,178
Instructional media services	7,300	-	7,300
Instruction and curriculum	16,449	54,625	(38,176)
Instructional staff training	39,025	47,834	(8,809)
Board expenses	51,683	20,695	30,988
General administration	130,199	129,514	685
School administration	329,457	357,784	(28,327)
Facilities acquisition & construction	583,667	607,635	(23,968)
Fiscal services	32,622	33,013	(391)
Food services	2,792	836	1,956
Pupil transportation	175,552	146,692	28,860
Operation of plant	239,447	199,571	39,876
Maintenance of plant	57,531	9,493	48,038
Community services	8,971	18,364	(9,393)
Interest on long-term debt	<u>856</u>	<u>-</u>	<u>856</u>
Totals	<u>\$ 3,034,843</u>	<u>\$ 2,822,042</u>	<u>\$ 212,801</u>

**FUND FINANCIAL ANALYSIS**

Key highlights for the fiscal years ended June 30, 2010 and 2009 are as follows:

**CHARTER SCHOOLS OF BOYNTON BEACH, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**FUND FINANCIAL ANALYSIS (continued)**

	<u>2010</u>	<u>2009</u>	<u>Variances</u>
Revenues	\$ 3,070,169	\$ 3,075,631	\$ (5,462)
Expenditures	<u>(3,049,225)</u>	<u>(3,034,793)</u>	<u>(14,432)</u>
Change in fund balance	<u>\$ 20,944</u>	<u>\$ 40,838</u>	<u>\$ (19,894)</u>
Fund balance, beginning of year	<u>\$ 29,832</u>	<u>\$ (11,006)</u>	<u>\$ 40,838</u>
Fund balance, end of year	<u>\$ 50,776</u>	<u>\$ 29,832</u>	<u>\$ 20,944</u>

**CURRENT YEAR VS PRIOR YEAR RESULTS**

The 2009-2010 school year was the eighth year that the School enrolled students. Total revenue was \$3,070,169 and \$3,075,631 for the years ended June 30, 2010 and 2009, respectively. Total revenue remained constant between the years, but there was a decrease in capital outlay funds received in 2010, but that was offset by an increase in allocated Title I funds to the School. Total expenses were \$3,034,843 and \$2,822,042 for the years ended June 30, 2010 and 2009, respectively. The \$212,801 increase in expenses is primarily attributable to hiring additional pupil personnel support along with an increase in maintaining and operating the main campus of the School.

**BUDGETARY HIGHLIGHTS**

Actual revenue was \$104,552 more than budgeted because the School increased enrollment which was unanticipated, causing the school to receive more FEFP and Title I funds than the amount that was actually budgeted. School administration and plant maintenance were the largest of the variances when comparing budget to actual expenses. There were some unanticipated plant maintenance costs that were unexpected during the year. Additional office personnel, an increase in advertising and outside consultants were the contributing factors to the increase in school administration costs.

**PROSPECTS FOR THE FUTURE**

The School leased additional space in July 2010 and relocated its middle school student to the new location. The School is approaching maximum capacity (some grades have a waiting list) and management is working diligently on securing financing for the purchase of its main campus via a public bond offering.

**Charter Schools of Boynton Beach, Inc.**  
**Statement of Net Assets**  
**June 30, 2010**

		Governmental Activities
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$	404,829
Accounts receivable		32,014
Deposits receivable		85,520
Inventory		15,351
Total current assets		537,714
<b>CAPITAL ASSETS</b>		
Capital assets, net of accumulated depreciation		
Furniture, fixtures and equipment		349,400
Total capital assets		349,400
Total assets	\$	887,114
<b>LIABILITES AND NET ASSETS</b>		
<b>CURRENT LIABILITES</b>		
Accounts payable	\$	97,716
Construction contracts payable		389,222
Total current liabilities		486,938
Total Liabilities		486,938
<b>NET ASSETS</b>		
Investment in capital assets		349,400
Unrestricted		50,776
Total net assets		400,176
Total liabilities and net assets	\$	887,114

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

**Charter Schools of Boynton Beach, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Basic instruction	\$ 1,209,802	\$ -	\$ 145,771	\$ -	\$ (1,064,031)
Pupil personnel services	149,490	-	-	-	(149,490)
Instructional media services	7,300	-	7,300	-	-
Instructions and curriculum development services	16,449	-	15,750	-	(699)
Instructional staff training	39,025	-	36,129	-	(2,896)
Board expenses	51,683	-	-	-	(51,683)
General administration	130,199	-	-	-	(130,199)
School administration	329,457	-	-	-	(329,457)
Facilities acquisition & construction	583,667	-	-	201,704	(381,963)
Fiscal services	32,622	-	-	-	(32,622)
Food services	2,792	-	-	-	(2,792)
Pupil transportation	175,552	-	-	-	(175,552)
Operation of plant	239,447	-	-	-	(239,447)
Maintenance of plant	57,531	-	-	-	(57,531)
Community services	8,971	24,903	-	-	15,932
Interest on long term debt	856	-	-	-	(856)
Total governmental activities	<u>\$ 3,034,843</u>	<u>\$ 24,903</u>	<u>\$ 204,950</u>	<u>\$ 201,704</u>	<u>(2,603,286)</u>

General revenues	
Revenue from state sources	2,608,054
Miscellaneous	27,905
Investment income	2,653
Total general revenues	<u>2,638,612</u>
Change in net assets	35,326
Net assets, July 1, 2009	364,850
Net assets, June 30, 2010	<u>\$ 400,176</u>

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

**Charter Schools of Boynton Beach, Inc.**  
**Balance Sheet - Governmental Funds**  
**June 30, 2010**

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 404,829
Accounts receivable	32,014
Deposits receivable	85,520
Inventory	15,351
Total Assets	\$ 537,714
<b>LIABILITIES</b>	
Accounts payable	\$ 97,716
Construction contracts payable	389,222
Total Liabilities	486,938
<b>FUND BALANCES</b>	
Unrestricted	50,776
Total Fund Balances	50,776
Total Liabilities and Fund Balances	\$ 537,714

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

**Charter Schools of Boynton Beach, Inc.**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2010**

Fund Balance - Governmental Funds	\$	50,776
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$	456,862	
Less accumulated depreciation		<u>(107,462)</u>	
			<u>349,400</u>

Net Assets of Governmental Activities	\$	<u><u>400,176</u></u>
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The accompanying notes are an integral part of this financial statement.

**Charter Schools of Boynton Beach, Inc.  
Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2010**

		General Fund
<b>REVENUES</b>		
Federal passed through local sources	\$	204,950
State passed through local sources		2,809,758
Other revenues		55,461
<b>TOTAL REVENUES</b>		3,070,169
<b>EXPENDITURES/EXPENSES</b>		
Basic instruction		1,209,248
Pupil personnel services		149,490
Instructional media servies		7,300
Instructions and curriculum development services		16,449
Instructional staff training		39,025
Board expenses		51,683
General administration		130,199
School administration		329,457
Facilities acquisition & construction		600,572
Fiscal services		32,622
Food services		2,792
Pupil transportation		173,583
Operation of plant		239,447
Maintenance of plant		57,531
Community services		8,971
Interest on long term debt		856
Total expenditures		3,049,225
Revenues over Expenditures		20,944
Fund balances, July 1, 2009		29,832
Fund balances, June 30, 2010	\$	50,776

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

**Charter Schools of Boynton Beach, Inc.**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**June 30, 2010**

Net Change in fund balances - governmental funds \$ 20,944

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	\$ 34,162		
Less current year depreciation	<u>(19,780)</u>	<u>14,382</u>	
Change in Net Assets of Governmental Activities		<u><u>\$ 35,326</u></u>	

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

**CHARTER SCHOOLS OF BOYNTON BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

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

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

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The current charter shall be for a term of 10 years commencing with the 2001 - 2002 school year. The charter may be renewed as provided in Section 1002.33, Florida Statutes, upon mutual consent of the parties and execution of a written renewal. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is a component unit of the District.

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

2. Government-wide and fund financial statements

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

**CHARTER SCHOOLS OF BOYNTON BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All of the School's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government - wide presentation.

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

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

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

**CHARTER SCHOOLS OF BOYNTON BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund — the general operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

4. Budgetary basis of accounting

The School's annual budgets are adopted for the entire operations for the School and may be amended by the Board of Directors (the "Board"). Since the budgetary basis differs from generally accepted accounting principles ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. A reconciliation of the excess of revenues over expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

5. Cash and cash equivalents

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

**CHARTER SCHOOLS OF BOYNTON BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$750 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. For the year ended June 30, 2010, the School recorded net capital assets of \$349,400.

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

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	10-30
Computers and software	3-10
Vehicles	10
Furniture and fixtures	10

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

7. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District to the School pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect revised calculations by the FDE under the FEFP and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

**CHARTER SCHOOLS OF BOYNTON BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

8. Use of estimates

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

**NOTE B - CONCENTRATIONS**

1. Revenue sources

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

<u>Sources</u>	<u>Amounts</u>
Federal funding through local district	\$ 204,949
State funding through local district	2,809,759
Other	55,461
	<u>\$ 3,070,169</u>

2. Cash

Under Chapter 280, Florida Statutes, School's deposits must be placed in banks and savings and loans which are qualified as public depositories. School maintains cash deposits at a bank in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 through December 31, 2013. The total bank balance at June 30, 2010 was \$432,979. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer and collateral pool. As of June 30, 2010, there were no uninsured deposit balances.

**NOTE C – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance at June 30, <u>2009</u>	<u>Additions</u>	Adjustments and <u>Deletions</u>	Balance at June 30, <u>2010</u>
Capital assets depreciated:				
Computers and software	\$ 1,412	\$ -	\$ -	\$ 1,412
Vehicles	19,682	-	-	19,682

**CHARTER SCHOOLS OF BOYNTON BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE C – CAPITAL ASSETS (continued)**

Leasehold improvements	310,410	28,004	-	338,414
Furniture and fixtures	<u>91,196</u>	<u>6,158</u>	-	<u>97,354</u>
Total assets depreciated	<u>\$ 422,700</u>	<u>\$ 34,162</u>	<u>\$ -</u>	<u>\$ 456,862</u>
Less Accumulated depreciation				
Computers and software	\$ 1,412	\$ -	\$ -	\$ 1,412
Vehicles	6,173	1,968	-	8,141
Leasehold improvements	9,474	11,099	-	20,574
Furniture and fixtures	<u>70,623</u>	<u>6,712</u>	-	<u>77,335</u>
Total assets depreciated	<u>\$ 87,682</u>	<u>\$ 19,780</u>	<u>\$ -</u>	<u>\$ 107,462</u>
Total governmental activities				
Capital assets, net				<u>\$ 349,400</u>

Depreciation expense of \$19,780 was charged to the facilities acquisition and construction, basic instruction and pupil transportation functions for the year ended June 30, 2010.

**NOTE D - COMMITMENTS AND CONTINGENCIES**

Commitments

The School leased property during the year for its administrative and classroom space under a non-cancelable operating lease with an option to purchase the building. In addition, the school leases buses, telephones and copiers. Rental expenses for the year ended June 30, 2010 were \$654,618.

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

June 30:	<u>Equipment</u>	<u>Buses</u>	<u>Building</u>	<u>Total</u>
2011	19,183	50,733	509,400	579,316
2012	19,183	50,733	509,400	579,316
2013	19,183	50,733	509,400	579,316
2014	3,411	48,032	509,400	560,843
2015	-	18,318	509,400	527,718
Thereafter	-	35,110	1,528,200	1,563,310

**CHARTER SCHOOLS OF BOYNTON BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE D - COMMITMENTS AND CONTINGENCIES (continued)**

An architect who provided services in 2008 brought suit against the School for non payment. In August 2010, a court ruled in favor of the architect and the School was required to pay \$18,000. The amount due is included in accounts payable in the financial statements.

**NOTE E - RISK MANAGEMENT**

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

**NOTE F – CONSTRUCTION CONTRACTS PAYABLE**

In 2008, the School relocated to a new facility and was provided with a certain amount of build-out allowance. The School exceeded the amount provided by the contractor and the total balance due at June 30, 2010 amounted to \$288,692. The amount was schedule to be paid in full in August 2010, but the creditor (who is also the landlord) is working with the School on purchasing the facility through the issuance of a public bond.

In addition, the minimum rent due to the landlord includes a base amount along with a monthly approximation of CAM, insurance and taxes. The landlord has allowed the School to continue to pay \$45,270 per month, but the actual monthly amount due is \$50,043. The total additional rent payable under this agreement is \$100,530.

**NOTE G – SUBSEQUENT EVENT**

In July 2010, the School rented additional space and the middle school (grades 6-8) moved to the new location which is just down the street from the main campus.

**NOTE H – DATE OF MANAGEMENT’S REVIEW**

Management has evaluated subsequent events through September 28, 2010, which is the date the financial statements became available to be issued.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Charter Schools of Boynton Beach, Inc.**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget and Actual**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**  
**(Unaudited)**

	Governmental Funds		
	Original and Final Budget	General Fund	Variance
<b>Revenues</b>			
Federal passed through local sources	\$ 158,000	\$ 204,950	\$ (46,950)
State passed through local sources	2,760,117	2,809,758	(49,641)
Other revenues	47,500	55,461	(7,961)
<b>Total revenues</b>	<b>2,965,617</b>	<b>3,070,169</b>	<b>(104,552)</b>
<b>Expenses</b>			
Basic instruction	1,389,350	1,209,248	180,102
Pupil personnel services	26,964	149,490	(122,526)
Instructional media services	6,000	7,300	(1,300)
Instructions and curriculum development services	-	16,449	(16,449)
Instructional staff training	4,100	39,025	(34,925)
Board expenses	27,000	51,683	(24,683)
General administration	129,691	130,199	(508)
School administration	231,219	329,457	(98,238)
Facilities acquisition & construction	587,239	600,572	(13,333)
Fiscal services	53,704	32,622	21,082
Food services	5,000	2,792	2,208
Pupil transportation	171,105	173,583	(2,478)
Operation of plant	232,789	239,447	(6,658)
Maintenance of plant	11,500	57,531	(46,031)
Community services	33,949	8,971	24,978
Interest on long term debt	-	856	(856)
<b>Total expenses</b>	<b>2,909,610</b>	<b>3,049,225</b>	<b>(139,615)</b>
<b>Revenues over expenditures</b>	<b>\$ 56,007</b>	<b>20,944</b>	<b>\$ 35,063</b>
Fund Balance, July 1, 2009		29,832	
Fund Balance, June 30, 2010		\$ 50,776	

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



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  - Tax Division
  - Personal Financial Planning Section
- Florida Institute of CPAs
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the basic financial statements of the Charter Schools of Boynton Beach, Inc., (the "School") as of and for the year ended June 30, 2010, and have issued our report thereon dated September 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

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

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

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Infante & Company*

September 28, 2010  
Hollywood, Florida



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## MANAGEMENT LETTER

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

We have audited the basic financial statements of Charter Schools of Boynton Beach, Inc. (the "School") as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated September 28, 2010.

We issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters dated September 28, 2010. Disclosures in that report, if any, should be considered in conjunction with this management letter.

The discussion required by the rules of the Auditor General follows:

1. Recommendations were made and violations were reported in the preceding annual financial audit report. Comments 09-1 and 09-2 from the prior year were corrected.

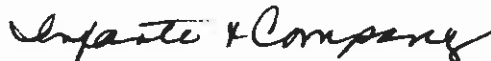
Comment 09-1 stated there were material variances between budgeted and actual amounts by function. The variances between the budgeted and actual amounts by function are no longer relevant. Variances will always exist no matter how often the budget is modified.

Comment 09-2 stated that no employment contracts existed for the COO or CEO. For the year ended June 30, 2010, we determined the board of directors signed off on written employment contracts for both the COO and CEO.

2. There were no violations of laws, rules, regulations, and contractual provisions that: (1) have occurred, or are likely to have occurred; (2) were discovered within the scope of the financial audit; and (3) may or may not have materially affected the financial statements.
3. Please see the attached recommendations to improve the Schools' present financial management, accounting procedures and internal controls.

4. There were no illegal or improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
5. There were no matters requiring correction which may or may not materially affect the financial statements reported on, including, but not limited to:
  - Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
  - Failures to properly record financial transactions.
  - Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.
6. The official title of the School is the *Charter Schools of Boynton Beach, Inc.*, which is a component unit of the School District of Palm Beach County, which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Act, and Section 228.056, Florida Statutes.
7. We applied financial condition assessment procedures pursuant to Rule 10.855(10).
8. In connection with our audit, we determined that the Charter Schools of Boynton Beach, Inc. did not meet the condition described in Section 218.503(1) and, therefore, no financial emergency will be reported.

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



September 28, 2010  
Hollywood, Florida