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SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.

INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2010

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MARK ESCOFFERY P.A.  
CERTIFIED PUBLIC ACCOUNTANT

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.**

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# **Mark Escoffery, P.A.**

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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 nonprofit organization) a component unit of the District School Board of Sarasota County as of and for the year ended June 30, 2010, 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, 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*, I have also issued my report dated October 16, 2010, 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  
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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.

*Michelle Croffey, P.A.*

Palm Beach Gardens, Florida  
October 16, 2010

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

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, 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 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, 2010 was 276 students. This was 30 students more than the amount budgeted. The School expects to have an enrollment of 300 students for the school year 2010-2011.

### **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, 2010**

**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 13-17 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 \$619,340 at June 30, 2010. This is an increase of \$253,088 over the prior year.

**NET ASSETS**

	<u>JUNE 30, 2010</u>	<u>JUNE 30, 2009</u>
Current and other Assets	\$ 560,325	\$ 306,630
Capital Assets	163,545	203,595
<b>Total Assets</b>	<b><u>\$ 723,870</u></b>	<b><u>\$ 510,225</u></b>
Long-Term Liabilities	\$ 65,749	\$ 78,694
Other Liabilities	38,781	65,279
<b>Total Liabilities</b>	<b><u>\$ 104,530</u></b>	<b><u>\$ 143,973</u></b>
Investment in Capital Assets	\$ 97,796	\$ 124,901
Unrestricted	521,544	241,351
<b>Total Net Assets</b>	<b><u>\$ 619,340</u></b>	<b><u>\$ 366,252</u></b>

Revenues from governmental activities totaled \$2,384,230 for the year ended June 30, 2010, an increase of 7.2% over the prior year. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue represented approximately 85.0% of total revenue compared to 85.6% in the prior year.

**REVENUES**

<u>Revenue Source</u>	<u>6/30/10</u>	<u>Percent of Total 6/30/10</u>	<u>6/30/09</u>	<u>Percent of Total 6/30/09</u>
State Sources	\$ 2,314,630	94.5	\$ 2,189,614	88.5
Local Sources	65,482	2.7	42,106	10.0
Federal Sources	69,600	2.8	33,995	1.5
<b>Total</b>	<b><u>\$ 2,449,712</u></b>	<b><u>100.0</u></b>	<b><u>\$ 2,265,715</u></b>	<b><u>100.0</u></b>

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd.)**

Local revenue sources are primarily tuition fees of approximately \$35,104 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>6/30/10</u>	<u>% of Total 6/30/10</u>	<u>6/30/09</u>	<u>% of Total 6/30/09</u>
Instruction	\$ 892,743	40.7	\$ 1,115,740	53.5
Instructional Staff Training	-	-	3,362	.2
Board Services	14,742	.7	32,516	1.6
Fiscal Services	18,201	.8	15,419	.6
School Administration	629,879	28.7	193,681	9.3
Facilities Acquisition	292,295	13.3	290,759	13.9
Pupil Transportation	66,882	3.0	116,394	5.6
Operation of Plant	97,282	4.4	104,746	5.0
Plant Maintenance	75,154	3.4	101,587	4.9
General Administration	100,547	4.6	92,937	4.5
Central Services	4,530	.2	2,110	.1
Community Services	-	-	10,597	.5
Interest on Long Term Debt	4,369	.2	5,279	.3
<b>Total</b>	<b><u>\$ 2,196,624</u></b>	<b><u>100.0</u></b>	<b><u>\$ 2,085,127</u></b>	<b><u>100.0</u></b>

**BUDGETARY HIGHLIGHTS**

Actual revenue was more than budgeted by \$231,675 because:

State Sources revenues were more than budgeted because of higher enrollment, transportation costs and District Administration fees	\$ 176,151
Capital Improvement revenues exceeded the budget because they were not anticipated	35,223
Fund raising revenue exceeded the budget because it was not included	16,447
Other Revenue	3,854
	<b><u>\$ 231,675</u></b>

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**BUDGETARY HIGHLIGHTS (Cont'd.)**

Actual expenses were more than budget by \$162,414 because:

General Administration Expenses not included in Budget	\$ 100,547
Pupil Transportation costs not included in Budget	66,882
School Administration higher than budget because contracted services were more than anticipated	90,907
Maintenance of plant was lower than budget because depreciation of \$40,000 was included in the budget	( 40,516 )
The actual operating expenses were less than budgeted	( 55,406 )
	<b>\$ 162,414</b>

There is a surplus in the General Fund of \$521,544 at June 30, 2010.

**CAPITAL ASSETS**

The School's investment in capital assets at June 30, 2010 was \$163,545 (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, 2010, was as follows:

Leasehold Improvements	\$ 370,719
Furniture and Equipment	41,676
Total	412,395
Less Accumulated Depreciation	248,850
Investment in Capital Assets	<b>\$ 163,545</b>

Capital additions for the year totaled \$2,000. 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 \$65,749 at June 30, 2010. 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, 2010 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 to receive a higher rating from the Department of education, based on test scores and academic achievement.

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**PROSPECTS FOR THE FUTURE (Cont'd.)**

- The Administration believes that higher test scores will continue to be achieved because of investments in reading and math computer based programs
- The School should surpass its budgeted amount of 300 students for the 2010-2011 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, 2010**

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Cash	\$500,992	\$	\$500,992
Accounts receivable	39,333		39,333
Capital Assets		163,545	163,545
Deposits	<u>20,000</u>		<u>20,000</u>
<b>Total Assets</b>	<u><u>\$560,325</u></u>	<u><u>\$163,545</u></u>	<u><u>\$723,870</u></u>
<b>LIABILITIES</b>			
Note payable		\$65,749	\$65,749
Accounts Payable	2,014		2,014
Accrued Salaries	<u>36,767</u>		<u>36,767</u>
<b>Total Liabilities</b>	<u><u>38,781</u></u>	<u><u>65,749</u></u>	<u><u>104,530</u></u>
<b>FUND BALANCE/NET ASSETS</b>			
Undesignated	<u>521,544</u>	<u>(521,544)</u>	<u>          </u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$560,325</u></u>		
<b>Net Assets</b>			
Investment in capital assets		97,796	97,796
Unrestricted		<u>521,544</u>	<u>521,544</u>
<b>Total Net Assets</b>		<u><u>\$619,340</u></u>	<u><u>\$619,340</u></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, 2010**

Fund Balance- Governmental Funds		\$521,544
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$412,395	
Less accumulated depreciation	<u>(248,850)</u>	
		163,545
 Long-Term Liabilities not due and payable in the current period and therefore are not reported in the governmental funds		
Notes payable		(65,749)
Net Assets of Governmental activities		<u><u>\$619,340</u></u>

The accompanying notes are an integral part of this statement

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.**  
**Statement of Governmental Fund (General Fund)/Revenues, Expenditures and**  
**Changes in Fund Balance Statement of Activities**  
**Year ended June 30, 2010**

	<u>Governmental</u> <u>Funds</u>	<u>Adjustments</u>	<u>Statement of</u> <u>Activities</u>
<b>EXPENSES</b>			
Instruction	\$892,743		\$892,743
Board Services	14,742		14,742
General Administration	100,547		100,547
School Administration	629,879		629,879
Facilities Acquisition	292,295		292,295
Fiscal Services	18,201		18,201
Operation of Plant	55,232		55,232
Maintenance of Plant	75,154		75,154
Interest on Long Term Debt	4,369		4,369
Central Services	4,530		4,530
Pupil Transportation	66,882		66,882
Capital Outlay	2,000	(2,000)	
Depreciation		42,050	42,050
<b>TOTAL EXPENSES</b>	<u>2,156,574</u>	<u>40,050</u>	<u>2,196,624</u>
<b>PROGRAM REVENUES</b>			
Florida Education Finance Program (FEFP)	2,026,029		2,026,029
Capital grants and contributions	288,601		288,601
Charges for services	4,954		4,954
<b>Total program revenues</b>	<u>2,319,584</u>		<u>2,319,584</u>
<b>GENERAL REVENUES:</b>			
Other federal sources	69,600		69,600
Other local sources	60,528		60,528
<b>Total general revenues</b>	<u>130,128</u>		<u>130,128</u>
<b>Excess of Revenues over expenses</b>	293,138	(40,050)	253,088
<b>Other Sources (Uses)</b>			
Payments of notes payable	(12,945)	12,945	
<b>Net Changes in Fund Balance</b>	<u>280,193</u>	<u>(27,105)</u>	<u>253,088</u>
<b>Fund Balance, beginning of year</b>	241,351	124,901	366,252
<b>Fund balance, end of year</b>	<u>\$521,544</u>	<u>\$97,796</u>	<u>\$619,340</u>

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, 2010**

	Governmental Funds		
	Final Budget	Actual	Variance
<b>EXPENDITURES:</b>			
Instruction	930,100	892,743	(37,357)
Board Services	29,350	14,742	(14,608)
General Administration		100,547	100,547
School Administration	538,972	629,879	90,907
Facilities Acquisition	308,069	292,295	(15,774)
Fiscal Services	7,000	18,201	11,201
Central services	2,000	4,530	2,530
Pupil Transportation		66,882	66,882
Operation of Plant	57,582	55,232	(2,350)
Maintenance of Plant	115,670	75,154	(40,516)
Interest on Long Term Debt	5,417	4,369	(1,048)
Capital Outlay		2,000	2,000
<b>TOTAL EXPENDITURES</b>	<b>1,994,160</b>	<b>2,156,574</b>	<b>162,414</b>
<b>PROGRAM REVENUES:</b>			
Florida Education Finance Program (FEFP)	1,849,878	2,026,029	176,151
Capital grants and contributions	253,378	288,601	35,223
Charges for services		4,954	4,954
	<b>2,103,256</b>	<b>2,319,584</b>	<b>216,328</b>
<b>GENERAL REVENUES:</b>			
Other federal sources	70,700	69,600	(1,100)
Other local sources	44,081	60,528	16,447
	<b>114,781</b>	<b>130,128</b>	<b>15,347</b>
<b>Excess of Revenues over expenditures</b>	<b>\$223,877</b>	293,138	
<b>Other Sources (Uses)</b>			
Payments of notes payable		(12,945)	
<b>Net Changes in Fund Balance</b>		<b>280,193</b>	
<b>Fund Balance, beginning of year</b>		<b>241,351</b>	
<b>Fund balance, end of year</b>		<b>\$521,544</b>	

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, 2010**

Net Changes in Fund Balances- Governmental Funds	\$280,193
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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	\$2,000	
Less current year depreciation	<u>(42,050)</u>	
		<u>(40,050)</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>12,945</u>	
		<u>12,945</u>

Change in Net Assets of Governmental Activities	<u><u>\$253,088</u></u>
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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, 2010**

**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, 2010**

**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, 2010**

**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.

Cash deposits are held at banks qualified as public depositories under Florida law.

**Fair Value of Financial Instruments**

The School's financial assets measured at fair value include cash, accounts receivable, and deposits.

**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

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.  
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR  
ENDED JUNE 30, 2010**

**NOTE 2 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010 were as follows:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>Ending</u>
Leasehold Improvements	\$ 368,719	\$ 2,000	\$ -	\$ 370,719
Furniture, Fixtures and Equipment	41,676	-	-	41,676
	<u>410,395</u>	<u>2,000</u>	<u>-</u>	<u>412,395</u>
Less Accumulated Depreciation	206,800	42,050	-	248,850
Capital Net Assets	<u>\$ 203,595</u>	<u>\$ 40,050</u>	<u>\$ -</u>	<u>\$ 163,545</u>

Depreciation expense of \$42,050 was charged to Operation of Plant during the year ended June 30, 2010.

**NOTE 3 – LONG - TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Notes Payable	<u>\$ 78,694</u>	<u>\$ -0-</u>	<u>\$12,945</u>	<u>\$ 65,749</u>	<u>\$13,738</u>

**Debt Maturity**

Debt service requirements at June 30, 2010 were as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2011	13,738	3,571
2012	14,536	2,773
2013	15,430	1,829
2014	16,324	944
2015	5,721	5
	<u>\$ 65,749</u>	<u>\$ 9,122</u>

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED JUNE 30, 2010**

**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, 2010 was \$292,295. Future minimum lease payments are as follows:

<b>Year Ending June 30,</b>	
2011	\$ 300,000
2012	309,000
2013	318,000
2014	328,000
April 15, 2015	282,000
	<u>\$ 1,537,000</u>

**NOTE 5 – RETIREMENT PLAN**

The School has a 401(k) Profit Sharing Plan for its employees. Active participants may elect to contribute, on a tax deferred basis, a portion of their compensation not to exceed the maximum allowed by law. The School matches contributions equal to a percentage of the eligible employees compensation. For the year ended June 30 2010, the School made contributions to the Plan totaling \$9,799.

**NOTE 6 – 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.

**NOTE 7 – SUBSEQUENT EVENTS**

The School evaluated subsequent events through October 16, 2010, the date which the financial statements were available to be issued.

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.**  
**Supplemental Schedule of Expenditures**  
**Budget and Actual- Governmental Fund (General Fund)**  
**Year Ended June 30, 2010**

	Governmental Fund		
	Original and Final Budget	Actual	Variance
<b>Instructional</b>			
Salaries	\$821,321	\$775,943	(\$45,378)
Payroll Taxes	62,832	61,123	(1,709)
Fringe Benefits		8,766	8,766
Instructional materials	17,447	14,641	(2,806)
Purchased Services	28,500	30,898	2,398
Professional fees		1,372	1,372
<b>Total Instructional</b>	<u>\$930,100</u>	<u>\$892,743</u>	<u>(\$37,357)</u>
<b>Board</b>			
Professional	\$17,350	\$4,560	(\$12,790)
Insurance	12,000	10,182	(1,818)
	<u>\$29,350</u>	<u>\$14,742</u>	<u>(\$14,608)</u>
<b>General Administration</b>			
District Admin Fee		<u>\$100,547</u>	<u>\$100,547</u>
<b>School Administration</b>			
Salaries	\$237,602	\$220,118	(\$17,484)
Payroll Taxes	20,148	17,339	(2,809)
Fringe benefits	96,500	170,126	73,626
Professional	156,522	190,067	33,545
Workers Compensation	7,350	6,479	(871)
Office expenses	8,000	8,386	386
Purchased Services	12,850	17,364	4,514
<b>Total School Administration</b>	<u>\$538,972</u>	<u>\$629,879</u>	<u>\$90,907</u>
<b>Fiscal Services</b>			
Professional & Technical	<u>\$7,000</u>	<u>\$18,201</u>	<u>\$11,201</u>

**SUNCOAST SCHOOL FOR INNOVATIVE STUDIES, INC.**  
**Supplemental Schedule of Expenditures**  
**Budget and Actual- Governmental Fund (General Fund)**  
**Year Ended June 30, 2010**

	Governmental Fund		
	Original and Final Budget	Actual	Variance
<b>Facilities acquisition</b>			
Rental	<u>\$308,069</u>	<u>\$292,295</u>	<u>(\$15,774)</u>
<b>Operation of Plant</b>			
Communication	3,436	3,608	172
Utilities	37,200	33,350	(3,850)
Insurance	10,000	14,204	4,204
Other expenses	6,946	4,070	(2,876)
<b>Total Operation of Plant</b>	<u>\$57,582</u>	<u>\$55,232</u>	<u>(\$2,350)</u>
<b>Central services</b>			
Purchased services	<u>\$2,000</u>	<u>\$4,530</u>	<u>\$2,530</u>
<b>Pupil Transportation</b>			
Purchased Services		\$56,782	\$56,782
Insurance		10,100	10,100
		<u>\$66,882</u>	<u>\$66,882</u>
<b>Plant Maintenance</b>			
Salaries		2,618	\$2,618
Custodial service	66,130	52,089	(14,041)
Repairs and Maintenance	9,540	20,447	10,907
Depreciation	40,000		(40,000)
	<u>\$115,670</u>	<u>\$75,154</u>	<u>(\$40,516)</u>
<b>Interest on Long-Term Debt</b>	<u>\$5,417</u>	<u>\$4,369</u>	<u>(\$1,048)</u>
<b>Capital Outlay</b>			
Building and Equipment		<u>\$2,000</u>	<u>\$2,000</u>

# **Mark Escoffery, P.A.**

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**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 financial statements of the Suncoast School for Innovative Studies, Inc., (“the School”) (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued my report thereon dated October 16, 2010. 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.

### 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 an 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 deficiency in internal control* 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

*Mark E. Cropper, P.A.*

Palm Beach Gardens, Florida  
October 16, 2010

# **Mark Escoffery, P.A.**

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**Certified Public Accountant**

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Palm Beach Gardens, FL 33410

Tel (561) 627-1404  
Fax (561) 627-3844

## **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, 2010, and have issued my report thereon dated October 16, 2010.

I have issued my Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance dated October 16, 2010. 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 recommendation made in the prior year has 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 are no findings and recommendations made for the current year ended June 30, 2010.

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**

**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.

*Mark EscOFFUS, P.A.*

Palm Beach Gardens, Florida  
October 16, 2010