

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT
UNIT OF THE SCHOOL BOARD OF
BREVARD COUNTY, FLORIDA**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORTS**

YEAR ENDED JUNE 30, 2011

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

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INTRODUCTORY SECTION

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**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

**OFFICERS OF THE BOARD OF DIRECTORS
JUNE 30, 2011**

| | |
|------------------|----------------|
| Gary Boyer | President |
| Scott Gaenicke | Vice President |
| Robert Batchelor | Secretary |
| John Boelke | Treasurer |

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Brevard Innovative Charter Schools, Inc.

We have audited the accompanying financial statements of the governmental activities and each major fund of Brevard Innovative Charter Schools, Inc., a component unit of the School Board of Brevard County, Florida, as of and for the year ended June 30, 2011, which collectively comprise the school's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Brevard Innovative Charter Schools, Inc. management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brevard Innovative Charter Schools, Inc., as of June 30, 2011, and the respective changes in financial position thereof 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 26, 2011, on our consideration of Brevard Innovative Charter Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Board of Directors
Brevard Innovative Charter Schools, Inc.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 13 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Janes, Dinho & O'Keefe LLP
Janes, Dinho & O'Keefe LLP
Certified Public Accountants
September 26, 2011

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

Management of Brevard Innovative Charter Schools, Inc. are required to present the following discussion and analysis to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds. Please read it in conjunction with the School's accompanying financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components, the first two of which are presented side by side on the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances as the right column and left columns, respectively:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

In addition, this report presents certain required supplementary information, which includes management's discussion and analysis and budgetary information.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the School presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the School's financial health is improving or deteriorating.

The government-wide statements present the School's activities in the category of governmental activities. This represents the School's educational programs. Support functions such as administration are also included. The state's education finance program provides most of the resources that support these activities.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Over a period of time, changes in the School's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the School's student enrollment and the condition of the School's capital assets, including its school buildings and administrative facilities.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others may be created by legal agreements. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

All of the School's funds may be classified within the following broad fund category:

- Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, a reconciliation of governmental funds to governmental activities for both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances are provided in the notes to the financial statements.

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

The School's net assets were \$1,341,571 at June 30, 2011. Of this amount, \$217,540 was invested in capital assets, net of related debt and \$220,664 was restricted leaving \$903,367 in unrestricted net assets.

Current assets are approximately \$226,000 higher at June 30, 2011 than the prior year because of assets generated by the current year's operations. This increase is mainly reflected by an increase in operating cash of approximately \$174,000 and an increase in Bond Reserve funds of approximately \$76,000.

Long-term debt principal maturity of \$35,000 was paid as scheduled to the note holder.

Due to requirements of the bond indenture underlying the long-term debt, certain reserve funds must be maintained, resulting in restricted net assets for debt service at June 30, 2011.

Summary of Net Assets

| | <u>Governmental Activities</u> | | <u>Amount Change</u> | <u>% Change</u> |
|---|------------------------------------|---------------------|--------------------------|---------------------|
| | <u>2011</u> | <u>2010</u> | | |
| Current and other assets | \$ 2,254,818 | \$ 2,028,476 | \$ 226,342 | 11% |
| Capital assets | 4,190,678 | 4,171,777 | 18,901 | 0% |
| Total assets | <u>6,445,496</u> | <u>6,200,253</u> | <u>245,243</u> | 4% |
| Long-term debt outstanding | 4,910,000 | 4,945,000 | (35,000) | -1% |
| Other liabilities | 193,925 | 191,674 | 2,251 | 1% |
| Total liabilities | <u>5,103,925</u> | <u>5,136,674</u> | <u>(32,749)</u> | -1% |
| Net assets: | | | | |
| Invested in capital assets, net of debt | 217,540 | 175,495 | 42,045 | 24% |
| Restricted | 220,664 | 220,664 | - | 0% |
| Unrestricted | 903,367 | 667,420 | 235,947 | 35% |
| Total net assets | <u>\$ 1,341,571</u> | <u>\$ 1,063,579</u> | <u>\$ 277,992</u> | 26% |

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Change in Net Assets

The School's change in net assets was approximately \$278,000 for the year ended June 30, 2011.

The state's education finance program provides 87% of the School's revenues, with 3% from federal sources, and the remainder coming from local sources. The state funding is based on student enrollment, which increased to 470 full time equivalent students (FTE) in 2011, up from 445.34 FTE in 2010, an increase of 6%. Funding per student increased approximately 3% for the 2011 fiscal year.

The cost of the program was approximately \$3.4 million, of which 70% was personnel cost. In fiscal 2011, the school added one new grade with the addition of one instructor for a new 5th grade classroom. In addition, the School adopted the Envision Math Curriculum increasing textbooks costs. The library/media center was re-staffed with instructional qualified personnel and a program replacing outdated books was put in place. A second bus was also added in 2011 to better serve the School's parents. Another contributing factor to increased expenses from prior year was a 15% increase in health care costs for employees.

Federal funding of approximately \$99,000 was received, mainly from the one time Education Jobs Fund program of \$95,000. This money, though applied to wages paid in 2011, increased unspent funding from other programs which will assist with the Florida State Legislature's projected budget cuts in 2012.

Summary of Changes in Net Assets

| | Governmental Activities | | Amount Change | % Change |
|---|------------------------------------|-------------------|--------------------------|---------------------|
| | <u>2011</u> | <u>2010</u> | | |
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | \$ 243,962 | \$ 230,523 | \$ 13,439 | 6% |
| General revenues | | | | |
| Restricted government funding | 98,558 | - | 98,558 | 100% |
| Other government funding not restricted to specific programs | 3,219,127 | 3,008,244 | 210,883 | 7% |
| Interest | 8,876 | 8,769 | 107 | 1% |
| Other income | 130,325 | 130,554 | (229) | 0% |
| Total revenues | <u>3,700,848</u> | <u>3,378,090</u> | <u>322,758</u> | 10% |
| Expenses | | | | |
| Instruction | 2,070,980 | 1,965,163 | 105,817 | 5% |
| Instructional support services | 43,084 | 44,213 | (1,129) | -3% |
| Instructional media services | 46,467 | 22,184 | 24,283 | 109% |
| Instructional staff training | 7,277 | 11,648 | (4,371) | -38% |
| School administration | 478,081 | 463,071 | 15,010 | 3% |
| Fiscal services | 23,000 | 23,000 | - | 0% |
| Food service | 33,419 | 35,927 | (2,508) | -7% |
| Pupil transportation | 78,448 | 35,216 | 43,232 | 123% |
| Operation of plant | 260,007 | 258,023 | 1,984 | 1% |
| Maintenance of plant | 14,524 | 14,143 | 381 | 3% |
| Interest on long-term debt | 367,569 | 371,319 | (3,750) | -1% |
| Total expenses | <u>3,422,856</u> | <u>3,243,907</u> | <u>178,949</u> | 6% |
| Change in net assets | <u>\$ 277,992</u> | <u>\$ 134,183</u> | <u>\$ 143,809</u> | 107% |

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

At June 30, 2010, the School's governmental funds reported a combined fund balance of approximately \$1.8 million, an increase from last year's balance of \$1.6 million. Included in this year's total change in fund balance is approximately \$152,000 of capital expenditures and \$403,000 debt service payments, partially offset by approximately \$165,000 excess revenue over expenditures in the General Fund.

The excess of revenues over expenditures in the General Fund was approximately \$165,000 in 2011, compared to an excess of approximately \$138,000 in 2010. Contributing factors include an increase in funding per student of approximately 3%, an increase in student body count by 25 children, and the reduction in payroll expenses allocated to the Education Jobs fund, offset by increased capital spending of approximately \$152,000, the addition of a second bus and improvement in the media center.

The Special Revenue Fund is federal funding received for the Education Jobs Funding of approximately \$95,000 and a Service Learning Grant of approximately \$3,000. At June 30, 2011, all Special Revenue monies have been expended on qualified expenses as dictated by the requirements of the federal Department of Education. The unbudgeted Education Jobs funds received in April 2011 freed General Fund assets to be spent in fiscal 2011-2012.

The Debt Service Fund is funded with Capital Outlay revenues and transfers from the General Fund. This fund holds the reserve accounts required by the note payable, including amounts for the next due date for payment of principal and interest.

BUDGET VARIANCES IN THE GENERAL FUND

Since the School is incorporated as a nonprofit entity, budgets are approved by the Board of Directors. The Board of Directors approved a budget for the General Fund for 2011. The budget was amended during the year to adjust material line items, i.e., increase in state funding levels over initial projection, NBCT and MAP bonus, and increase in certain utility costs.

For the General Fund, after adjustment to the budgetary basis, actual charges were approximately \$31,000 higher than the budgeted amounts (representing approximately one percent of budget), mainly due to the May 2011 expenditure to re-roof the building, originally anticipated to be started in June 2011.

After adjustment to the budgetary basis, actual revenues were approximately \$38,000 over budget mainly due to fundraising income.

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of fiscal year 2010, the School had invested approximately \$4.2 million in a broad range of capital assets. In 2011, the school purchased a school van, installed ceiling suspended basketball goals in the gym and re-roofed the building with a reflective surface material that should provide significant on-going energy savings.

| | Capital Assets | | % Change |
|--------------------------|--|----------------------------------|---------------------|
| | Net of Accumulated Depreciation | | |
| | Governmental Activities | | |
| | <u>2011</u> | <u>2010</u> | |
| Land | \$ 496,140 | \$ 496,140 | 0% |
| Land improvements | 14,607 | 17,042 | -14% |
| Building | 2,799,618 | 2,751,270 | 2% |
| Building improvements | 822,181 | 858,296 | -4% |
| Equipment | 40,148 | 49,029 | -18% |
| Vehicle | 8,784 | - | 100% |
| Construction in progress | 9,200 | - | 100% |
| Total | <u><u>\$ 4,190,678</u></u> | <u><u>\$4,171,777</u></u> | 0.45% |

Long-term Debt

At June 30, 2011, the School had \$4.91 million in long-term debt outstanding. This debt was incurred through a conduit bond financing arrangement with the proceeds used to purchase the existing facility as well as to provide funds to renovate a portion of the building, adding the classrooms needed to keep up with the growing needs of the school. Principal payments on the debt began in October 2009. The School has made all required Principal and Interest Payments as scheduled. The rate covenant requirement set by the loan agreement to hold 3% of operating expenses in unreserved cash at year end was satisfied.

| | Outstanding Debt | | % Change |
|--------------|------------------------------------|-----------------------------------|---------------------|
| | Governmental Activities | | |
| | <u>2011</u> | <u>2010</u> | |
| Note payable | <u><u>\$ 4,910,000</u></u> | <u><u>\$ 4,945,000</u></u> | -0.71% |

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

SIGNIFICANT ECONOMIC FACTORS

The School operates under a charter of the sponsoring School district, the School Board of Brevard County, Florida. The School's current charter, entered into on July 1, 2002, is in effect until 2012. The Charter is scheduled to be reviewed by the Brevard County School Board in the spring of 2012 and discussions with School Board personnel indicate that they expect the renewal to be accepted with no issues.

In 2011, the School was designated as a High Performing Charter School by the State of Florida. This official designation by the State was established by legislative action in the spring of 2011 and was awarded to the School in recognition of its continuing "A" rating and demonstrated financial stability. As part of this award, the school is eligible for a 15 year charter upon renewal and cannot be denied renewal without special hearings. The administrative fee charged by the sponsoring School District is also reduced for fiscal 2011-2012 in recognition of decreased oversight needed by the Sponsor as part of this notice.

The School, an official Core Knowledge School, was once again rated an "A" School by the state of Florida. This year, Sculptor's 6th graders were first in the State of Florida with 100% of the students scoring proficient in Reading.

Student enrollment, which forms the basis for the most significant revenue source for the School, is approximately 470 for the 2010-2011 school year. As stated in the charter agreement, the School can enroll a maximum of 800 students for the upcoming year. The School has been on a path of controlled growth and has met or bettered enrollment projections each year. The original plan did not include major classroom additions for the 7th and 8th Grades. However, the growth in those grades continues to be evident as more parents choose Sculptor for their child's education.

The School is actively pursuing a final completion building expansion, scheduled to be completed for school year 2012-2013 that will expand the media center, add new classrooms to accommodate additional 7th and 8th grades, specialized rooms such as science labs and add teacher professional development rooms and private tutoring areas.

As a non-tuition school, Sculptor Charter School offers parents a choice over costly private schools and traditional public schools. The School considers this final expansion will position them for many years to remain competitive in an uncertain economy.

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BASIC FINANCIAL STATEMENTS

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2011

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> | <u>Adjustments (Note II. A.)</u> | <u>Statement of Net Assets</u> |
|--|-------------------------|----------------------------------|---|--------------------------------------|------------------------------------|
| ASSETS | | | | | |
| Cash | \$ 1,012,263 | \$ - | \$ 1,012,263 | \$ - | \$ 1,012,263 |
| Investments | - | 894,315 | 894,315 | - | 894,315 |
| Due from School Board | - | 9,757 | 9,757 | - | 9,757 |
| Accounts receivable | 11,663 | - | 11,663 | - | 11,663 |
| Prepaid expenses | 3,734 | - | 3,734 | - | 3,734 |
| Intangible asset, net of accumulated amortization | - | - | - | 323,087 | 323,087 |
| Other capital assets, net of accumulated depreciation | - | - | - | 4,190,678 | 4,190,678 |
| TOTAL ASSETS | <u>\$ 1,027,660</u> | <u>\$ 904,072</u> | <u>\$ 1,931,732</u> | <u>4,513,764</u> | <u>6,445,496</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 24,859 | \$ - | \$ 24,859 | - | 24,859 |
| Accrued expenses | 77,448 | - | 77,448 | 91,618 | 169,066 |
| Notes payable | | | | | |
| Due within one year | - | - | - | 45,000 | 45,000 |
| Due in more than one year | - | - | - | 4,865,000 | 4,865,000 |
| TOTAL LIABILITIES | <u>102,307</u> | <u>-</u> | <u>102,307</u> | <u>5,001,618</u> | <u>5,103,925</u> |
| FUND BALANCES/NET ASSETS | | | | | |
| Fund balances: | | | | | |
| Nonspendable | 3,734 | - | 3,734 | (3,734) | - |
| Restricted for debt service | - | 904,072 | 904,072 | (904,072) | - |
| Unassigned | 921,619 | - | 921,619 | (921,619) | - |
| Total fund balances | <u>925,354</u> | <u>904,072</u> | <u>1,829,426</u> | | |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,027,660</u> | <u>\$ 904,072</u> | <u>\$ 1,931,733</u> | | |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | | | | 217,540 | 217,540 |
| Restricted for: | | | | | |
| Debt service | | | | 220,664 | 220,664 |
| Unrestricted | | | | 903,367 | 903,367 |
| TOTAL NET ASSETS | | | | <u>\$ 1,341,571</u> | <u>\$ 1,341,571</u> |

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

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> | <u>Adjustments (Note II. B.)</u> | <u>Statement of Activities</u> |
|---|-------------------------|-------------------------------------|----------------------------------|---------------------|--------------------------------------|------------------------------------|
| EXPENDITURES/EXPENSES | | | | | | |
| Current: | | | | | | |
| Instruction | \$ 1,882,095 | \$ 98,558 | \$ - | \$ 1,980,653 | \$ 90,327 | \$ 2,070,980 |
| Instructional support services | 42,390 | - | - | 42,390 | 694 | 43,084 |
| Instructional media services | 45,577 | - | - | 45,577 | 891 | 46,467 |
| Instruction staff training | 7,277 | - | - | 7,277 | - | 7,277 |
| School administration | 424,942 | - | - | 424,942 | 53,139 | 478,081 |
| Fiscal services | 23,000 | - | - | 23,000 | - | 23,000 |
| Food service | 33,419 | - | - | 33,419 | - | 33,419 |
| Pupil transportation | 78,448 | - | - | 78,448 | - | 78,448 |
| Operation of plant | 260,007 | - | - | 260,007 | - | 260,007 |
| Maintenance of plant | 14,524 | - | - | 14,524 | - | 14,524 |
| Capital outlay | 152,095 | - | - | 152,095 | (152,095) | - |
| Debt service: | | | | | | |
| Principal | - | - | 35,000 | 35,000 | (35,000) | - |
| Interest | - | - | 368,663 | 368,663 | (1,094) | 367,569 |
| TOTAL EXPENDITURES/EXPENSES | <u>2,963,773</u> | <u>98,558</u> | <u>403,663</u> | <u>3,465,994</u> | <u>(43,138)</u> | <u>3,422,856</u> |
| PROGRAM REVENUES: | | | | | | |
| Charges for services | 243,962 | - | - | 243,962 | - | 243,962 |
| NET PROGRAM EXPENSE | | | | | | <u>3,178,894</u> |
| GENERAL REVENUES | | | | | | |
| Restricted government funding | - | 98,558 | - | 98,558 | - | 98,558 |
| Other government funding not restricted to specific programs | 3,026,222 | - | 192,905 | 3,219,127 | - | 3,219,127 |
| Interest | 8,639 | - | 237 | 8,876 | - | 8,876 |
| Other income | 130,325 | - | - | 130,325 | - | 130,325 |
| Other financing sources (uses) | | | | | | |
| Fund transfers | (280,155) | - | 280,155 | - | - | - |
| TOTAL GENERAL REVENUES AND OTHER FINANCING SOURCES | <u>2,885,031</u> | <u>98,558</u> | <u>473,297</u> | <u>3,456,886</u> | <u>-</u> | <u>3,456,886</u> |
| Excess (deficit) of revenues over expenditures and other financing sources | 165,220 | - | 69,634 | 234,854 | (234,854) | - |
| Change in net assets | | | | | 277,992 | 277,992 |
| FUND BALANCES/NET ASSETS | | | | | | |
| Beginning of the year | 760,134 | - | 834,438 | 1,594,572 | (530,993) | 1,063,579 |
| End of the year | <u>\$ 925,354</u> | <u>\$ -</u> | <u>\$ 904,072</u> | <u>\$ 1,829,426</u> | <u>\$ (487,855)</u> | <u>\$ 1,341,571</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Brevard Innovative Charter Schools, Inc., (School) is a not-for-profit corporation organized pursuant to Florida Statutes governing not-for-profit corporations and educational choice (charter schools). The not-for-profit corporation conducts business as Brevard Innovative Charter Schools, Inc. The governing body of the School is the not-for-profit corporation's Board of Directors. The School is accounted for as a governmental not-for-profit organization and is a component unit of the School Board of Brevard County, Florida.

The general operating authority of the School is contained in Florida Statutes. The School operates grades K through 8 as Sculptor Charter School under a charter of the sponsoring School district, the School Board of Brevard County, Florida. The current charter is effective until June 30, 2012, and may be renewed by mutual written agreement between the School and the School Board. 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. The charter school contract provides that in the event the school is dissolved or terminated, any public unencumbered funds and all school property purchased with public funds automatically revert to the School Board of Brevard County. During the term of the charter, the School Board may also terminate the charter if good cause is shown.

The School also operates a Pre-Kindergarten and is a licensed provider in the State of Florida Voluntary Pre-Kindergarten program.

Other entities that are potential component units of the School that should be reported with the School's basic financial statements are identified based on certain criteria. These criteria include the School's financial accountability for them and the significance of their relationship with the School, such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, there are no component units to be included within the reporting entity of the School.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The statements consist primarily of government activities, which normally are supported by government revenues.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly 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. Other items not properly included among program revenues are reported instead as general revenues.

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

The government-wide financial statements, consisting of the Statement of Net Assets and the Statement of Activities, 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements, consisting of the Governmental Funds Balance Sheet and the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balances, 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 enough thereafter to pay liabilities of the current period. For this purpose, the school considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special revenue fund accounts for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The fund is primarily composed of federal funding under the Education Jobs Fund program.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (cont.)

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

Maintenance and repair costs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

| Assets | Years |
|-----------------------|-------|
| Building | 39 |
| Building improvements | 5-40 |
| Land improvements | 7 |
| Equipment | 5-7 |
| Vehicle | 5 |

5. Compensated absences

It is the school's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick or vacation leave since the school does not have a policy to pay any amounts when employees separate from service with the school.

6. Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Loan costs are deferred and amortized over the life of the related debt.

In the fund financial statements, government fund types report face amount of debt issued as other financing sources and payments of debt principal as other financing uses. Loan costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund equity and net assets

In the fiscal year ended June 30, 2011, the School has implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

In accordance with that Statement, in the fund financial statements, government funds report fund balance classifications in a hierarchy based primarily on the extent to which constraints, external or internal are imposed upon the use of the resources reported in the funds. Fund balance classifications reflect the nature of the funds and the level of restriction placed upon fund balance. These classifications are: nonspendable, cannot be spent either because not in spendable form or because of legal or contractual requirements; restricted, which have externally-imposed limitations on use; committed, requiring action of the Board of Directors, the highest level of decision-making authority; assigned, intended by the Board of Directors or delegated to the Principal to be used for specific purposes that are neither restricted or committed; and unassigned.

If these classifications were applied to fund balances of the prior year, the General Fund would have shown approximately \$10,000 in nonspendable form and \$750,000 in unassigned fund balance; the Debt Service Fund would have shown approximately \$834,000 as restricted fund balance.

The government-wide financial statements present net assets, categorized as: invested in capital assets, net of related debt; restricted; and unrestricted.

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

8. Revenue Sources

Revenues for current operations are received primarily from the School Board of Brevard County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. The District reports the number of 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.

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

Program revenue includes charges for lunches, preschool programs and care and activities provided outside of the school session.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

9. 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Tax Status

The School is exempt from income tax under Section 501(c) (3) of the U.S. Internal Revenue Code, and has been determined to be an organization that is not a private foundation. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Contributions to the School are qualified as deductions for charitable contributions.

The School uses the FASB ASC 450-10, Loss Contingencies, approach for evaluation of uncertain tax positions. Tax years ended June 30, 2008, 2009, and 2010 remain open for audit.

11. Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through September 23, 2011, the date the financial statements were available to be issued.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of differences between the government fund balance sheet and the government-wide statement of net assets:

| | |
|---|----------------------------|
| Total fund balances | \$ 1,829,426 |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds | 4,190,678 |
| Deferred charges for issuance costs of long-term are expended currently in the governmental funds | 323,087 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds | |
| Note payable | (4,910,000) |
| Accrued interest payable | <u>(91,618)</u> |
| Total net assets | <u><u>\$ 1,341,571</u></u> |

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(continued)**

- B. Explanation of certain differences between the government fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

| | |
|---|------------|
| Net change in fund balances -- total governmental funds | \$ 234,854 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Capital outlays | 152,095 |
| Depreciation expense | (133,194) |
| Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities | |
| | (11,857) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. | |
| Payments of principal | 35,000 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore do are not reported as expenditures in governmental funds | |
| Accrued interest | 1,094 |
| Change in net assets of governmental activities | \$ 277,992 |

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- A. Budgetary information

Since the School is incorporated as a nonprofit entity, budgets are approved by the Board of Directors. An annual budget for the General Fund is presented on a basis consistent with generally accepted accounting principles, except for the inclusion of internal cost allocations and the exclusion of debt service expenditures. No budget was adopted for other funds.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Custodial credit risk is the risk that in the event of a bank failure, the school's deposits may not be returned to it. The school has a policy specifying that bank deposits will be made in qualified state depositories and will be diversified among institutions. At year-end, the school's carrying amount of deposits was \$1,012,013. The bank balances totaled \$1,079,567. Of these balances, approximately \$194,000 was not covered by federal depository insurance.

In connection with the issuance of debt in September 2008 further discussed in Note IV.E., the school was required to deposit part of the proceeds and other required deposits from time to time with the trustee. The trust indenture only permits investment of funds in certain qualified investments, such as direct obligations of the United States, investments backed by the full faith and credit of the United States, highly rated money market funds and certain other collateralized investments. At June 30, 2011, the trustee held approximately \$894,000 of reserve funds in a money market fund. This money market fund had a Standard & Poor's rating of AAAm and a Moody's Investors Service rating of Aaa-mf, consistent with the indenture. These investments are stated at fair value at June 30, 2011.

B. Capital assets

Capital asset activity for the year ended June 30, 2011 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|------------------|---------------|---------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 496,140 | \$ - | \$ - | \$ 496,140 |
| Construction in progress | - | 9,200 | - | 9,200 |
| Total capital assets, not being depreciated | <u>496,140</u> | <u>9,200</u> | <u>-</u> | <u>505,340</u> |
| Capital assets, being depreciated | | | | |
| Building | 2,880,525 | 122,890 | - | 3,003,415 |
| Building improvements | 1,078,588 | - | - | 1,078,588 |
| Land improvements | 17,042 | - | - | 17,042 |
| Equipment | 174,467 | 9,025 | - | 183,492 |
| Vehicle | 14,361 | 10,980 | 14,361 | 10,980 |
| Total capital assets, being depreciated | <u>4,164,983</u> | <u>142,895</u> | <u>14,361</u> | <u>4,293,517</u> |
| Less accumulated depreciation | <u>489,346</u> | <u>133,194</u> | <u>14,361</u> | <u>608,179</u> |
| Total capital assets, being depreciated, net | <u>3,675,637</u> | <u>9,701</u> | <u>-</u> | <u>3,685,338</u> |
| Capital assets, net | <u>\$ 4,171,777</u> | <u>\$ 18,901</u> | <u>\$ -</u> | <u>\$ 4,190,678</u> |

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (Continued)

B. Capital assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

| Function | Amount |
|--------------------------------|-------------------|
| Instruction | \$ 90,327 |
| Instructional support services | 694 |
| Instructional media services | 891 |
| School administration | 41,282 |
| | <u>\$ 133,194</u> |

C. Long-term debt

In September 2008, the School executed two notes payable to Florida Development Finance Corporation (FDFC), associated with revenue bonds issued by FDFC in the aggregate amount of \$4,960,000. The bonds are in two series; Series 2008A in the amount of \$4,710,000, paying interest at 7.25% and maturing in October 2038, and Series 2008B in the amount of \$250,000, paying interest at 12.5% and maturing in October 2014. The notes are secured by a pledge of revenues of the School and a Mortgage and Security Agreement on the School's land, buildings and improvements. Certain restrictive covenants are imposed by this debt, including maintaining the charter contract with the school district and maintaining certain cash reserves. At June 30, 2011, the outstanding balance of the notes payable was \$4,910,000.

Future debt service requirements are as follows:

| | | Principal | Interest |
|----------------------|-----------|---------------------|---------------------|
| Year ending June 30, | 2012 | \$ 45,000 | \$ 363,663 |
| | 2013 | 50,000 | 357,725 |
| | 2014 | 55,000 | 351,163 |
| | 2015 | 65,000 | 344,056 |
| | 2016 | 70,000 | 337,850 |
| | 2017-2021 | 435,000 | 1,602,431 |
| | 2022-2026 | 630,000 | 1,411,213 |
| | 2027-2031 | 890,000 | 1,138,250 |
| | 2032-2036 | 1,260,000 | 752,912 |
| | 2037-2039 | 1,410,000 | 186,687 |
| | Total | <u>\$ 4,910,000</u> | <u>\$ 6,845,950</u> |

Accrued expenses in the government-wide statement of net assets includes approximately \$92,000 in accrued interest for a payment that will be due October 1, 2011.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Long-term debt (continued)

Changes in long-term liabilities for the year ended June 30, 2011 were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------------------|----------------------|-------------|------------------|---------------------|------------------------|
| Notes payable | \$ 4,945,000 | \$ - | \$ 35,000 | \$ 4,910,000 | \$ 45,000 |
| Total long-term liabilities | <u>\$ 4,945,000</u> | <u>\$ -</u> | <u>\$ 35,000</u> | <u>\$ 4,910,000</u> | <u>\$ 45,000</u> |

D. Schedule of governmental funds revenue sources

The following is a schedule of governmental funds revenue sources and amounts:

| <u>Sources</u> | <u>Amounts</u> |
|---|---------------------|
| School Board of Brevard County, Florida | |
| Florida Education Finance Program | \$ 1,765,074 |
| Declining Enrollment Allocation | 2,546 |
| Safe Schools | 10,942 |
| ESE Guaranteed Allocation | 142,763 |
| Supplemental Academic Instruction | 126,486 |
| Florida Teachers Lead | 5,705 |
| Transportation | 50,948 |
| Instructional Materials Allocation | 34,527 |
| Library Media Allocation | 2,165 |
| State Stabilization Allocation | 149,121 |
| Discretionary Millage | 198,102 |
| Discretionary Compression | 42,028 |
| Discretionary Lottery | 1,718 |
| Class Size Reduction | 519,652 |
| Subtotal | <u>3,051,777</u> |
| Less : administrative fee | <u>(84,319)</u> |
| | 2,967,458 |
| Capital Outlay Award | 192,905 |
| School Recognition | 33,401 |
| NBCT Bonus | 3,933 |
| Merit Award Program | 21,430 |
| Pass-through federal funding | 98,558 |
| Total, School Board of Brevard County | <u>3,317,685</u> |
| Other local sources | <u>383,163</u> |
| Total | <u>\$ 3,700,848</u> |

Revenue from the School Board of Brevard County, Florida constitutes 90 percent of the School's total revenue, representing a concentration of risk.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital outlay funds

During fiscal 2011, the School used \$192,905 of Capital Outlay funds available under the Charter School Capital Outlay Program. This funding may be used for any capital outlay purpose directly related to the functioning of the charter school. These funds were used to make payments for debt service on the purchase of the school facility, reflected in the Debt Service fund.

V. OTHER INFORMATION

A. 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.

General liability, automotive, and directors and officials' liability coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. There has been no significant change in coverage limits, and no claims have been made over the past three years. Worker's compensation in accordance with statutory limits is provided by the School for its employees.

B. Commitments

Subsequent to year end, the School entered into a contract with the School Board for transportation services for students attending the School for fiscal year ending June 2012. The cost of these services is estimated to be \$61,000.

C. Related party transactions

The School carries out several significant transactions with its sponsor, the School Board of Brevard County. During fiscal 2011, it received funding of \$3,317,685 directly from the School Board. At June 30, 2011, the School had receivables of \$9,757 from the School Board. Both the revenue and the receivable represent concentrations of risk in their respective areas for the School.

D. Retirement plan

The School sponsors a defined contribution plan for all employees who have been employed full time with the School for three years. The plan permits voluntary contributions from employees, based on a salary reduction agreement, and provides for employer matching contributions (3% for fiscal 2011). During fiscal 2011, the School made contributions of \$19,842 to the plan; twenty-one employees participated, making contributions totaling approximately \$20,000.

REQUIRED SUPPLEMENTARY INFORMATION

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FROM JULY 1, 2010 TO JUNE 30, 2011

| | Budget | | Actual Amounts Budgetary Basis | | Budget to | Actual |
|--|-------------------|-------------------|-----------------------------------|---------|-------------------|-------------------|
| | Original | Final | | | GAAP | Amounts |
| | | | | | Differences | GAAP Basis |
| REVENUES | | | | | | |
| Other government funding not restricted to specific programs | \$ 3,111,598 | \$ 3,231,397 | \$ 3,219,127 | (1) | \$ 192,905 | \$ 3,026,222 |
| Program | 292,984 | 289,264 | 288,842 | (2) | 44,880 | 243,962 |
| Interest | 9,560 | 9,560 | 8,639 | | - | 8,639 |
| Other | 78,800 | 78,800 | 130,325 | | - | 130,325 |
| TOTAL REVENUES | 3,492,942 | 3,609,021 | 3,646,933 | | 237,785 | 3,409,148 |
| EXPENDITURES | | | | | | |
| Current-education | | | | | | |
| Instruction | 1,963,051 | 1,978,755 | 1,980,653 | (3) | 98,558 | 1,882,095 |
| Instructional support services | 38,383 | 38,477 | 42,390 | | - | 42,390 |
| Instructional media services | 39,909 | 40,002 | 45,577 | | - | 45,577 |
| Instructional staff training | 11,400 | 11,400 | 7,277 | | - | 7,277 |
| School administration | 610,104 | 583,474 | 603,016 | (2),(4) | 178,074 | 424,942 |
| Fiscal services | 23,500 | 23,500 | 23,000 | | - | 23,000 |
| Food services | 40,300 | 40,300 | 33,419 | | - | 33,419 |
| Pupil transportation | 70,019 | 77,258 | 78,448 | | - | 78,448 |
| Operation of plant | 273,148 | 273,456 | 260,007 | | - | 260,007 |
| Maintenance of plant | 23,000 | 23,000 | 14,524 | | - | 14,524 |
| Capital outlay | 120,000 | 120,000 | 152,095 | | - | 152,095 |
| TOTAL EXPENDITURES | 3,212,814 | 3,209,622 | 3,240,405 | | 276,632 | 2,963,773 |
| Excess (deficit) of revenues over expenditures | 280,128 | 399,399 | 406,528 | | (38,847) | 445,375 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers out | - | - | - | (5) | 280,155 | (280,155) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | | 280,155 | (280,155) |
| Fund balances, July 1, 2010 | - | - | 760,134 | | - | 760,134 |
| Fund balances, June 30, 2011 | <u>\$ 280,128</u> | <u>\$ 399,399</u> | <u>\$ 1,166,662</u> | | <u>\$ 241,308</u> | <u>\$ 925,354</u> |

Note: The budget for the General Fund is presented on a basis consistent with generally accepted accounting principles, except for the effect of the following factors:

Explanation of differences:

| | |
|---|-------------------|
| (1) The School general fund budget includes Capital Outlay funding, which is shown in the Debt Service Fund. | \$ 192,905 |
| (2) The School general fund budget includes internal cost allocations, which do not constitute revenues or expenditures for GAAP. | - |
| (3) The School received unbudgeted Special Revenue funds which were used to pay instructional costs. | (98,558) |
| (4) The School general fund budget includes depreciation expense in the school administration function. | (133,194) |
| (5) The School general fund budget does not include interfund transfers. | 280,155 |
| | <u>\$ 241,308</u> |

**ADDITIONAL ELEMENTS REQUIRED BY
THE RULES OF THE AUDITOR GENERAL**

**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
Brevard Innovative Charter Schools, Inc.

We have audited the accompanying financial statements of the governmental activities and each major fund of Brevard Innovative Charter Schools, Inc., a component unit of the School Board of Brevard County, Florida, as of and for the year ended June 30, 2011, which collectively comprise Brevard Innovative Charter Schools, Inc.'s basic financial statements and have issued our report thereon dated September 23, 2011. 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 Brevard Innovative Charter Schools, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brevard Innovative Charter Schools, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Brevard Innovative Charter Schools, Inc.'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.

Our 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. 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 Brevard Innovative Charter Schools, Inc.'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 the audit committee, Board of Directors and management of Brevard Innovative Charter Schools, Inc. and the School Board of Brevard County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Janes, Dinho & O'Keefe LLP
Janes, Dinho & O'Keefe LLP
Certified Public Accountants
September 23, 2011

MANAGEMENT LETTER

To the Board of Directors
Brevard Innovative Charter Schools, Inc.

We have audited the financial statements of Brevard Innovative Charter Schools, Inc., Florida, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated September 23, 2011.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 23, 2011, 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:

- The Rules require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No recommendations were made in the preceding annual financial audit report.
- The Rules require 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.
- The Rules require that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- The Rules provide 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) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- The Rules require the name or official title of the school. The official title of the school is Brevard Innovative Charter Schools, Inc.
- The Rules require 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 Brevard Innovative Charter Schools, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- The Rules require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures as of the fiscal year end. It is management's responsibility to monitor Brevard Innovative Charter Schools, Inc.'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.

The audit report was delivered to Brevard Innovative Charter Schools, Inc. on September 23, 2011. We wish to thank Brevard Innovative Charter Schools, Inc. management and staff for their support and assistance during our audit.

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 Brevard Innovative Charter Schools, Inc. management, the School Board of Brevard County, Florida and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Janes, Dinho & O'Keefe LLP
Janes, Dinho & O'Keefe LLP
Certified Public Accountants
September 23, 2011