

International School of Broward, Inc.
Financial Statements And
Independent Auditors' Report

June 30, 2011

TABLE OF CONTENTS

General Information	1
Independent Auditors' Report.	2-3
Management's Discussion and Analysis (Required Supplementary Information)	4-9
Basic Financial Statements:	
<i>Government-wide Financial Statement:</i>	
Statement of Net Assets	10
Statement of Activities.	11
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds.	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets.	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.	15
<i>Notes to the Basic Financial Statements</i>	16-23
Required Supplementary Information:	
Budgetary comparison schedules.	24-25
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26-27
Schedule of Findings and Responses	28-29
Management Letter	30-33

International School of Broward, Inc.
3100 N. 75th Avenue
Hollywood, FL 33024

2010-2011

BOARD OF DIRECTORS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
International School of Broward, Inc.
Hollywood, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of International School of Broward, Inc. (the "School"), is a component unit of the District School Board of Broward County, as of, and for the year ended June 30, 2011, which collectively comprises the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of International School of Broward, Inc., as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 24 through 25 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2011

Management's Discussion and Analysis
International School of Broward
June 30, 2011

The corporate officers of International School of Broward, Inc.(the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2011.

Financial Highlights

1. The liabilities of the School exceeded its assets at June 30, 2011 by \$ (255,740) (net deficit).
2. At year-end, the School had current assets on hand of \$ 27,086.
3. The school year had an increase of \$ 64,019 in net assets for the year.
4. The unassigned fund balance deficit at year end was \$(126,895).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2011 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

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

The *Statement of Activities* presents information on how the School's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10 - 11 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

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

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

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 16 - 23 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a charter school's financial position. In the case of the School, liabilities exceeded assets by \$ (255,740) at the close of the fiscal year. A summary of the School's net assets as of June 30, 2011 and 2010 follows:

	2011	2010
Cash	\$ 20,522	\$ 69,319
Accounts receivable, net	6,564	740
Capital Assets, net	200,653	41,193
Total Assets	<u>\$ 227,739</u>	<u>\$ 111,252</u>
Accounts Payable and Accrued Expenses	\$ 74,289	\$ 105,068
Salaries and Wages Payable	79,691	106,476
Related party loans payable	329,499	219,467
Total Liabilities	<u>\$ 483,479</u>	<u>\$ 431,011</u>
Invested in Capital Assets, net of debt	46,393	41,193
Unrestricted	(302,134)	(360,953)
Total Net Assets (deficit)	<u>\$ (255,740)</u>	<u>\$ (319,759)</u>

At the end of the fiscal year, the School reported negative balances in total net assets.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 56,655	\$ -
Capital Outlay Funding	142,110	-
Charges for Services	42,222	80,273
General Revenues		
FTE nonspecific revenues	1,690,448	1,218,447
Other Revenue	60,140	59,415
Total Revenues	<u>\$ 1,991,575</u>	<u>\$ 1,358,135</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 849,649	\$ 660,750
Instructional development	57,216	-
Instructional Staff Training Services	2,265	1,338
General Administration	82,138	160,212
Board	-	2,643
School Administration	333,515	20,613
Facilities Acquisition	185,425	-
Fiscal Services	162,293	38,524
Food Services	37,281	17,896
Central Services	29,218	70,354
Pupil transportation services	2,040	-
Operation of Plant	104,994	225,077
Maintenance of Plant	41,542	17,342
Community Services	-	1,084
Unallocated Depreciation	39,980	25,318
Total Expenses	<u>1,927,556</u>	<u>1,241,151</u>
Increase (decrease) in Net Assets	64,019	116,984
Net Assets (deficit) at Beginning of Year	<u>(319,759)</u>	<u>(436,743)</u>
Net Assets (deficit) at End of Year	<u>\$ (255,740)</u>	<u>\$ (319,759)</u>

International School of Broward, Inc.'s revenue increased by \$633,440 and expenses increased by \$686,405 in the current year, as a result of an increase in student enrollment.

School Location and Lease of Facility

The School leases a facility located at 3100 N 75th Avenue, Hollywood, FL 33024.

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

School Enrollment

This past year, the School had approximately 270 students enrolled in grades six through twelve.

Accomplishments

- We obtained full accreditation from SACS/AdvancED in March 2011.
- We had our first graduating senior class at the ISB, with 81% of our seniors successfully graduating.
- Every graduate that applied to colleges or universities was accepted to at least one.
- We added four AP classes in addition to the 2 that we offered the previous year.
- Seventy-two percent of our 8th and 10th graders obtained a 4.0 and higher in writing.
- Sixteen out of 20 students won superior and first prize at The French Competition in Orlando and our school won 5th place.
- Two of our students were accepted into an early admissions program at Broward College and FAU for their senior year.
- We added an IS program section which allows our students to have concentration in Sciences and Mathematics. Currently, our students can choose their area of concentration in Sciences and Math, Sociology and Economics or Literature and Foreign languages.
- We were awarded a grant from France to pay for three teachers.
- We were able to have a teacher foreign exchange with the French Ministry of Education where one of our teachers went to France to teach

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance deficit of \$(126,895).

Capital Assets

The School's investment in capital assets as of June 30, 2011 amounts to \$200,653 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment. At June 30, 2011, the School had \$154,260 in long-term debt related to capital assets.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School’s fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for the governmental fund to demonstrate compliance with the School’s budget.

	Governmental Funds		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues:			
Federal Sources	\$ -	\$ 50,000	\$ 56,655
Capital Outlay Funding	-	142,000	142,110
Lunch Program	32,000	9,000	10,797
Charges for Services	67,000	34,000	31,425
General Revenues:			
FTE nonspecific revenues	1,774,029	1,616,936	1,690,448
Other Revenue	89,463	89,463	60,140
Total Revenues	\$ 1,962,492	\$ 1,941,399	\$ 1,991,575
EXPENDITURES			
Component Unit Activities:			
Instruction	850,000	828,000	849,649
Curriculum development	55,000	60,000	57,216
Instructional staff training	1,200	390	2,265
General Administration	36,700	63,000	75,691
School Administration	342,000	320,000	333,515
Facilities acquisition	138,000	180,000	185,425
Fiscal Services	125,000	156,000	162,293
Food Services	42,500	35,000	37,281
Central Services	19,306	27,000	29,218
Pupil Transportation	-	-	2,040
Operation of Plant	75,000	100,000	104,994
Maintenance of Plant	15,000	60,000	41,542
Total Current Expenditures (before capital outlay and debt service)	\$ 1,699,706	\$ 1,829,390	\$ 1,881,129

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Jacquelyne Hoy at International School of Broward, Inc. 3100 NW 75th Avenue, Hollywood, Florida 33024.

Deficit Fund Equity

At the end of the School's second full year of operations (June 30, 2009), it had accumulated deficits in the General Fund of (\$232,346), and in the Government-Wide financial statements of (\$436,743). Over the past two years, the School has been able to reduce these deficits to (\$126,894) in the General Fund and (\$255,740) as of June 30, 2011. For the next school year, several measures will be undertaken to continue to decrease these deficits.

1. Increase Student Enrollment: Enrollment has increased from 141 students in the 2008-2009 school year to 181 at the beginning of the 2009-2010 school year. The school's reputation helped attract more students to reach 225 students by the end of the 2009-2010 school year. For the 2010-2011 school year, the school enrolled 270 students. For the 2011-2012 school year school enrollment is at 310 students. With this increase in students, funding will increase substantially without a proportionate increase in expenditures.
2. Continued Focus on Controlling and Monitoring Expenses: Increased funding will allow payment of all fixed costs and variable costs associated with the new students. A large part of the expenses that led to the deficit were from Plant expenses. A new contract has been signed with the landlord significantly reducing lease expenses.
3. Additional Fundraising and Donations: A higher student base will allow the school access to higher donations. Several fundraising efforts are planned for the next school year, and these are forecasted to produce income that can be used to decrease the deficit and pay off loans. The A+ rating of the school will attract motivated students and parents.
4. Financial Support: The school has been financially supported by its Board and related entities and they will continue to support the school through loans and grants.

International School of Broward, Inc.
Statement of Net Assets
June 30, 2011

Assets

Current assets:

Cash	\$	20,522
Accounts receivable, net of allowance		<u>6,564</u>
		27,086

Capital assets, depreciable		310,891
Less: accumulated depreciation		<u>(110,238)</u>
		<u>200,653</u>

Total Assets	\$	<u><u>227,739</u></u>
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Liabilities and Net assets

Current liabilities:

Salaries and wages payable	\$	79,691
Current portion of long-term debt		109,917
Accounts payable		<u>74,289</u>
		263,897

Long-term loans payable to related parties		<u>219,582</u>
Total Liabilities		483,479

Net assets:

Invested in capital assets, net of \$154,260 related debt		46,393
Unrestricted		<u>(302,134)</u>
Total Net Assets		<u>(255,740)</u>

Total Liabilities and Net Assets	\$	<u><u>227,739</u></u>
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The accompanying notes are an integral part of this financial statement.

International School of Broward, Inc.
Statement of Activities
For the year ended June 30, 2011

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					-
Instruction	\$ 849,649	\$ 31,425	\$ 56,655	\$ -	\$ (761,569)
Instructional and Curriculum					
Development Services	57,216	-	-	-	(57,216)
Instructional staff training	2,265	-	-	-	(2,265)
General administration	82,138	-	-	-	(82,138)
School administration	333,515	-	-	-	(333,515)
Facilities acquisition	185,425	-	-	-	(185,425)
Fiscal services	162,293	-	-	-	(162,293)
Food services	37,281	10,797	-	-	(26,484)
Central services	29,218	-	-	-	(29,218)
Pupil transportation services	2,040	-	-	-	(2,040)
Operation of plant	104,994	-	-	142,110	37,116
Maintenance of plant	41,542	-	-	-	(41,542)
Unallocated depreciation	39,980	-	-	-	(39,980)
Total governmental activities	1,927,556	42,222	56,655	142,110	(1,686,569)
					FTE nonspecific revenues 1,690,448
					Fundraising and other revenue 60,140
					<u>64,019</u>
					Net assets, beginning (319,759)
					Net assets, ending <u>\$ (255,740)</u>

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

International School of Broward, Inc.
 Balance Sheet - Governmental Funds
 June 30, 2011

	General Fund	Special	Total Governmental
		Revenue Fund	Funds
<u>Assets</u>			
Cash	\$ 20,522	\$ -	\$ 20,522
Accounts receivable	6,564	-	6,564
Total Assets	<u>\$ 27,086</u>	<u>\$ -</u>	<u>\$ 27,086</u>
<u>Liabilities</u>			
Salaries and wages payable	\$ 79,691	\$ -	\$ 79,691
Accounts payable	74,289	-	74,289
Total Liabilities	<u>153,980</u>	<u>-</u>	<u>153,980</u>
<u>Fund balance</u>			
Unassigned	(126,895)	-	(126,895)
	<u>(126,895)</u>	<u>-</u>	<u>(126,895)</u>
Total Liabilities and Fund Balance	<u>\$ 27,086</u>	<u>\$ -</u>	<u>\$ 27,086</u>

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

International School of Broward, Inc.
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets
For the year ended June 30, 2011

Total Fund Balance - Governmental Funds \$ (126,894)

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

Capital assets of \$310,891 net of accumulated depreciation of \$110,238 used in governmental activities are not financial resources and therefore are not reported in the fund. 200,653

The proceeds from debt issuance provides current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of net assets. (329,499)

Total Net Assets - Governmental Activities \$ (255,740)

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

International School of Broward, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balance -Governmental Funds
For the year ended June 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State capital outlay funding	\$ -	\$ 142,110	\$ 142,110
State passed through local	1,690,448	-	1,690,448
Federal sources	-	56,655	56,655
Lunch fees	-	10,797	10,797
Fees for services	31,425	-	31,425
Fundraising and other revenue	60,140	-	60,140
Total Revenues	1,782,013	209,562	1,991,575
Expenditures:			
Current			
Instruction	792,994	56,655	849,649
Instructional and Curriculum Development Service:	57,216	-	57,216
Instructional staff training services	2,265	-	2,265
General Administration	75,691	-	75,691
School Administration	333,515	-	333,515
Facilities acquisition	185,425	-	185,425
Fiscal services	162,293	-	162,293
Food services	-	37,281	37,281
Central services	29,218	-	29,218
Pupil transportation services	2,040	-	2,040
Operation of plant	8,064	96,930	104,994
Maintenance of plant	41,542	-	41,542
Capital Outlay:			
Other capital outlay	154,260	45,180	199,440
Debt Service:			
Redemption of Principal	114,968	-	114,968
Interest	6,447	-	6,447
Total Expenditures	1,965,938	236,046	2,201,984
Excess (deficit) of revenues over expenditures	(183,925)	(26,484)	(210,409)
Other financing sources:			
Transfers in and (out)	(26,484)	26,484	-
Proceeds from long-term debt	225,000	-	225,000
Net change in fund balance	14,591	-	14,591
Fund Balance at beginning of year	(141,485)	-	(141,485)
Fund Balance at end of year	<u>\$ (126,894)</u>	<u>\$ -</u>	<u>\$ (126,894)</u>

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

International School of Broward, Inc.
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2011

Net Change in Fund Balance - Governmental Funds \$ 14,591

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 as depreciation expense. This is the amount by which net capital outlays of \$199,440 differs from depreciation expense of \$39,980. 159,460

The proceeds from debt issuance provides current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of net assets. (110,032)

Change in Net Assets of Governmental Activities \$ 64,019

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

Note 1 – Organization and Operations

International School of Broward, Inc. (the "School"), is a not-for-profit corporation organized in the State of Florida. The School operates under a charter granted by the sponsoring district, the District School Board of Broward County (the "District"). The current charter expires on June 30, 2012 and is renewable for an additional 5 years by a mutual written agreement between the School and the District. During the term of the charter, the District may terminate the charter if good cause is shown. The School is considered a component unit of such District. The School is located in Hollywood, Florida for students from sixth through twelfth grades and is funded by the District.

These financial statements are for the year ended June 30, 2011, when approximately 270 students were enrolled for the school year.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Audits for States and Local Governments* and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information for the School as a whole. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. Other revenue sources not properly included with program revenues are reported as general revenues.

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds are reported as separate columns in the fund financial statements:

General Fund - is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

Special Revenue Fund - accounts for specific revenue, such as capital outlay funding and federal lunch program that are legally restricted to expenditures for particular purposes.

Agency Fund – accounts for resources of the School's Internal Fund, which is used to administer monies collected at the schools in connection with school, student athletics, class, and club activities.

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*.

The government-wide statements report using the economic resources measurement focus and the full 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. Revenues from non-exchange transactions are reported according to GASB Codification Section 1600.111 and Section N50 *Accounting and Financial Reporting for Non-Exchange Transactions*. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Note 2 – Summary of Significant Accounting Policies (continued)

Cash

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net assets in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Improvements	10-20 Years
Furniture, Equipment and Software	5 Years

Revenue Sources

Revenues for operations will be received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made. In addition, the school receives an annual allocation of charter school capital outlay funds for leasing of school facilities.

Note 2 – Summary of Significant Accounting Policies (continued)

Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Income Taxes

International School of Broward, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 30, 2011, which is the date the financial statements were available to be issued.

Net assets and Fund balance classifications

Government-wide financial statements

Equity is classified as net assets and displayed in three (3) components:

- a) Invested in capital assets, net of related debt - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net assets - consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Note 2 – Summary of Significant Accounting Policies (continued)

Fund financial statements

Under GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

- a) Nonspendable - fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end relate to not in spendable form assets.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned - fund balance is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First Non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Note 3 –Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the period ended June 30, 2011:

	Balance 7/1/10	Additions	Retirements	Balance 6/30/11
Capital Assets:				
Improvements	\$ 52,826	\$ 32,212	\$ -	\$ 85,038
Furniture, equipment and textbooks	58,625	167,228	-	225,853
Total Capital Assets	<u>111,451</u>	<u>199,440</u>	<u>-</u>	<u>310,891</u>
Less Accumulated Depreciation:				
Improvements	(37,799)	(15,917)	-	(53,716)
Furniture, equipment and textbooks	(32,458)	(24,063)	-	(56,521)
Total Accumulated Depreciation	<u>(70,257)</u>	<u>(39,980)</u>	<u>-</u>	<u>(110,238)</u>
Capital Assets, net	<u>\$ 41,193</u>	<u>\$ 59,460</u>	<u>\$ -</u>	<u>\$ 200,653</u>

Depreciation expense for the period ended June 30, 2011 was \$39,980 and is unallocated in the Statement of Activities.

Note 4 –Management Agreement

Charter School Services Corporation, Inc., a professional charter school management company, provides management services to the School including, but not limited to, regulatory compliance, maintenance of the books and records, bookkeeping, budgeting and financial reporting. The agreement between the School and the management company calls for a fee of \$138 per full time equivalent (FTE) student per year. The agreement is for a period of five years, through February 28, 2016, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2011, the School incurred approximately \$41,340 in management fees, of which \$9,255 was payable at year end. Charter School Services Corporation, Inc. is located at 1225 SE 2nd Avenue, Fort Lauderdale, Florida, 33316.

Note 5 – Loans Payable to Related Parties

International School of Broward, Inc. entered into several loans with members of the Board of Directors to fund its operating deficit during the year ended June 30, 2009 and from an entity affiliated with the management company to fund the acquisition of capital assets during the year ended June 30, 2011. Loans payable to Related Parties are \$329,499. The loans bear interest at a rate of 7% annually.

Long-term debt consists of the following obligations at June:

	<u>2010</u>
Note payable in monthly principal and interest installments aggregating \$2,249 through 2017. Interest is stated at 7%.	\$ 131,909
Note payable in monthly principal and interest installments aggregating \$1,647 through 2014. Interest is stated at 7%.	43,330
Note payable in monthly principal and interest installments aggregating \$6,947 through 2013. Interest is stated at 7%.	154,260
	<u>329,499</u>
Less: Current portion	<u>109,917</u>
Long-term portion	<u>\$ 219,582</u>

Annual maturities of the notes payable are as follows:

2012	109,917
2013	117,864
2014	37,620
2015	22,605
2016	24,239
Thereafter	<u>17,254</u>
	<u>\$329,499</u>

Note 6 – Related Party Transactions

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2011, administrative fees withheld by the School District totaled \$83,446.

Note 7 – Deposits Policy and Credit Risk

It is the School’s policy to maintain its cash and cash equivalents in major banks and in high grade investments. As of June 30, 2011, the carrying amount of the School’s deposits was \$20,522 and the respective bank balances totaled \$36,729.

Under the Dodd-Frank Act, non-interest bearing deposits at FDIC-insured institutions are fully insured through December 31, 2012. All accounts held by the School are non-interest bearing and therefore fully insured by the FDIC as of June 30, 2011.

Note 8 – Commitments and Contingencies

The School entered into a lease and security agreement with Prince of Peace Lutheran Church (the “Landlord”) for its building including all ancillary facilities, outdoor areas and other improvements. The agreement continues through May 2012 with an option to renew for an additional two-year term. For 2011, rent expense totaled \$135,205, which all related to the facility lease. As of June 30, 2010, the School had a payable to the landlord of \$32,100.

Future minimum payments for the full lease are as follows:

<u>Year</u>	
2012	\$75,000

Contingencies

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Note 9 – Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage in the past. In addition, there were no reductions in insurance coverage from those in the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

International School of Broward, Inc.
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2011

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 1,774,029	\$ 1,616,936	\$ 1,690,448
Fees for services	67,000	34,000	31,425
Fundraising and other revenues	89,463	89,463	60,140
Total Revenues	1,930,492	1,740,399	1,782,013
EXPENDITURES			
Current:			
Instruction	800,000	778,000	792,994
Instructional and Curriculum Developmen	55,000	60,000	57,216
Instructional Staff			
Training Services	1,200	390	2,265
General administration	36,700	63,000	75,691
School administration	342,000	320,000	333,515
Facilities Acquisition & Construction	138,000	180,000	185,425
Fiscal Services	125,000	156,000	162,293
Central Services	19,306	27,000	29,218
Pupil transportation services	-	-	2,040
Operation of Plant	10,000	10,000	8,064
Maintenance of Plant	15,000	60,000	41,542
Total Current Expenditures	1,542,206	1,654,390	1,690,263
Excess of Revenues			
Over Current Expenditures	388,286	86,009	91,750
Capital Outlay:			
Other Capital Outlay	155,000	155,000	154,260
Debt service:			
Redemption of Principal	115,000	115,000	114,968
Interest	6,500	6,500	6,447
Total Expenditures	1,818,706	1,930,890	1,965,938
Excess of Revenues			
Over Expenditures	111,786	(190,491)	(183,925)
Other financing sources:			
Transfers out	-	26,000	(26,484)
Proceeds from long-term debt	225,000	225,000	225,000
Fund Balance at beginning of year	(141,485)	(141,485)	(141,485)
Fund Balance at end of year	\$ 195,301	\$ (80,976)	\$ (126,894)

International School of Broward, Inc.
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2011

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	\$ -	\$ 142,000	\$ 142,110
Federal sources	-	50,000	56,655
Lunch fees	32,000	9,000	10,797
Total Revenues	<u>32,000</u>	<u>201,000</u>	<u>209,562</u>
EXPENDITURES			
Current:			
Instruction	50,000	50,000	56,655
Food Services	42,500	35,000	37,281
Operation of Plant	65,000	90,000	96,930
Total Current Expenditures	<u>157,500</u>	<u>175,000</u>	<u>190,866</u>
Excess of Revenues Over Current Expenditures	<u>(125,500)</u>	<u>26,000</u>	<u>18,696</u>
Capital Outlay:			
Other Capital Outlay	-	-	45,180
Total Expenditures	<u>157,500</u>	<u>175,000</u>	<u>236,046</u>
Excess of Revenues Over Expenditures	(125,500)	26,000	(26,484)
Other financing sources:			
Transfers in	-	-	26,484
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ (125,500)</u>	<u>\$ 26,000</u>	<u>\$ -</u>

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

Board of Directors of
International School of Broward, Inc.
Hollywood, Florida

We have audited the financial statements of the governmental activities and each major fund of International School of Broward, Inc. (the "School") as of, and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 30, 2011. We conducted our audits 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 the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, identified in the accompanying schedule of findings and responses as 2011-01, 2011-02 and 2011-03 that we consider to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

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

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2011

2011-01 - PROPERTY, EQUIPMENT AND DEPRECIATION

- Criteria: Property and equipment held by ISB should be supported with a detail schedule listing each item held, cost, purchase date, useful life and calculated depreciation.
- Condition: We were not provided with a detailed schedule of fixed assets purchase that includes calculation of depreciation by item. Only general ledger transaction detail was provided.
- Context: Failure to track purchases of property and equipment increases the risk of error, omissions, or fraud. Also, it can result in misstated financial statements.
- Effect: The lack of a detailed property and equipment schedule made the audit process more difficult and resulted in an audit adjustment to depreciation expense.
- Cause: The condition results from the lack of a strong accounting person.
- Recom-
mendation: In order to maintain and control property and equipment, a detailed schedule should be maintained and periodically reconciled with physical counts. This schedule should also include a calculation of depreciation by asset.
- Management
Response: The school has combined the separate inventory lists it maintained into to one comprehensive fixed asset schedule.

2011-02 - BAD DEBT ALLOWANCE

- Criteria: Bad debt allowances should analyzed and adjusted to reflect estimated uncollectible receivables.
- Condition: We noted that the allowance for bad debts had not been analyzed at year end.
- Context: Failure to analyze bad debt reserve can result in misstated financial statements.

International School of Broward, Inc.
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

2011-02 - BAD DEBT ALLOWANCE (Continued)

Effect: This resulted in an audit adjustment.

Cause: The condition results from the lack of a strong accounting person.

Recom-
mendation: The allowance against student fees receivable should be analyzed in order to establish an estimate of those fees not expected to be collected.

Management
Response: The school agrees and will implement an analysis of bad debt Allowance.

2011-03 - SUMMER PAYROLL ACCRUAL

Criteria: An accrual should be recorded for payroll paid during the summer but pertaining to the school year within the period of the financial statements.

Condition: We noted the school does not have a process for estimating and recording the summer payroll accrual.

Context: Failure to establish a payroll accrual can result in misstated financial statements.

Effect: This resulted in an audit adjustment for summer payroll accrual.

Cause: The condition results from the lack of a strong accounting person.

Recom-
mendation: In order to reflect all payroll expense, the summer payroll accrual should be estimated and recorded.

Management
Response: The school agrees and has posted a Summer Payroll Accrual

MANAGEMENT LETTER

Board of Directors of
International School of Broward, Inc.
Hollywood, Florida

We have audited the accompanying basic financial statements of International School of Broward, Inc. as of and for the year ended June 30, 2011 and have issued our report thereon dated September 30, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosure in those reports, which are dated September 30, 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 govern the conduct of charter school audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report or schedule:

1. Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, as noted below under the heading "Status of Prior Year Findings and Recommendations."

2. Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management.

In connection with our audit, we did not have any additional recommendations.

3. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of laws, regulations, 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 additional violations.

4. Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement accounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

In connection with our audit, we did not have any additional such findings.

5. Section 10854.(1)(e)6., Rules of the Auditor General, requires the name or official title of the school.

The official title of the school is disclosed in the accompanying financial statements.

6. Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met.

International School of Broward, Inc. has met the following conditions described in Section 218.503(1) Florida Statutes:

- An unassigned or total fund balance or unrestricted or total net assets deficit, as reported on the balance sheet or statement of net assets on the general purpose or fund financial statements, for which sufficient resources of the local governmental entity, as reported on the balance sheet or statement of net assets on the general purpose or fund financial statements, are not available to cover the deficit.
7. Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10)., Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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.

We have applied such procedures and have determined that the school has met certain of the financial emergency conditions in Florida Statutes Section 218.503(1).

Status of Prior Year Findings and Recommendations

2009-2 DOCUMENT FILING AND RETENTION

Observation

We noted that management at the School had difficulty locating documents requested in connection with performing the audit testing.

Update

During the current audit, documentation was provided in a timely manner.

ML – 10-01 FRAUD AND WHISTLEBLOWER POLICY

Observation

The School has not implemented a policy/process by which personnel can anonymously report suspected fraud and abuse.

Update

During the year, the School developed and implemented a fraud and whistleblower policy

ML 10-02 FTE REVENUE RECOGNITION

Observation

We noted that FTE revenues are recorded net of the 5% Administrative Overhead charged by Broward County Public Schools.

Update

During the current audit, we noted that the FTE revenues were recorded net of the 5% Administrative Overhead charge.

ML 10-03 ADMISSION LOTTERY

Observation

We noted the school does not have an established plan for controlling and administering the admission lottery.

Update

The School established a plan for controlling and administering the admission lottery.

ML 10-04 JOURNAL ENTRIES

Observation

We noted that no journal entry sheet is used to support accounting entries.

Update

The school implemented a policy to have a journal entry sheet and adequate documentation to support journal entries.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the audit committee, the Auditor General of the State of Florida and the School Board of Broward County, and is not intended to be and should not be used by anyone other than these specified parties.

HLB Duvall, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2011