

BOCA RATON CHARTER SCHOOL, INC.

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BOCA RATON CHARTER SCHOOL, INC.

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2012**

**MARK ESCOFFERY P.A.
CERTIFIED PUBLIC ACCOUNTANT**

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of .
Boca Raton Charter School, Inc.
Boca Raton, Florida

I have audited the accompanying Financial Statements of the governmental activities, and each major fund, of Boca Raton Charter School, Inc. ("the School") (a nonprofit organization) a component unit of the Palm Beach County School District as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Management of the School. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above and the Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (GAAP Basis) and Actual-All Governmental Fund Types present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the School as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 16, 2012, on my consideration of the School's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting 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 my audit.

To the Board Members of
Boca Raton Charter School, Inc.
Boca Raton, Florida
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The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Board. I have applied certain limited procedures, which consisted principally of inquiries of Management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Mark E. Coffey, P. A.

Palm Beach Gardens, Florida
September 16, 2012

BOCA RATON CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

Our discussion and analysis of Boca Raton Charter School's ("the School") financial program provides an overview of the School's financial activities for the year ended June 30, 2012.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with the School's financial statements which begin on page 7.

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

NON FINANCIAL HIGHLIGHTS

The School had 105 students enrolled for the school year 2011-2012. It has budgeted for 125 students for the school year 2012-2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

**BOCA RATON CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd.)

Fund Financial Statements (Cont'd.)

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

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 15-21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. The School's assets exceeded liabilities by \$770,197 at June 30, 2012.

NET ASSETS

	<u>JUNE 30 2012</u>	<u>JUNE 30, 2011</u>
Current and other Assets	\$ 767,986	\$ 501,818
Capital Assets	37,274	37,962
Total Assets	<u>\$ 805,260</u>	<u>\$ 539,780</u>
Other Liabilities	\$ 35,063	\$ 33,940
Total Liabilities	<u>\$ 35,063</u>	<u>\$ 33,940</u>
Investment in Capital Assets	\$ 37,274	\$ 37,962
Unrestricted	732,923	467,878
Total Net Assets	<u>\$ 770,197</u>	<u>\$ 505,840</u>

Revenues from governmental activities totaled \$648,307 for the year ended June 30, 2012. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue represented approximately 62.5% of total revenue.

BOCA RATON CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

<u>Revenue Source</u>	<u>6/30/12</u>	<u>% of Total 6/30/12</u>	<u>6/30/11</u>	<u>% of Total 6/30/11</u>
State Sources	\$ 644,782	66.0	\$ 634,420	77.0
Local Sources	327,712	33.6	165,280	20.1
Federal Sources	3,525	.4	24,111	2.9
Total	\$ 976,019	100.0	\$ 823,811	100.0

Local revenue sources are primarily donations and pre-school fees.

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

<u>EXPENSE</u>	<u>6/30/12</u>	<u>% of Total 6/30/12</u>	<u>6/30/11</u>	<u>% of Total 6/30/11</u>
Instruction	\$ 336,838	47.3	\$ 323,744	45.4
Instructional Staff Training	875	.1	3,601	.5
Board Services	19,316	2.7	2,781	.4
School Administration	130,768	18.4	137,908	19.3
Fiscal Services	10,024	1.4	13,050	1.8
General Administration	30,496	4.2	30,828	4.3
Facilities Acquisition	136,740	19.2	135,330	19.0
Pupil Transportation	11,734	1.6	10,716	1.5
Operation of Plant	17,773	2.5	37,693	5.3
Maintenance of Plant	16,214	2.3	16,196	2.3
Tech Support	884	.1	1,259	.2
TOTAL	\$ 711,662	100.0	\$ 713,106	100.0

BUDGETARY HIGHLIGHTS

State revenues were more than budget by approximately \$20,595 because of higher student enrollment.

Local revenue sources were approximately \$223,000 more than budgeted because boat donations of \$208,000 were not budgeted. Preschool fees were \$4,614 more than budget because there were more children in the program.

Overall actual expenses were \$24,734 less than budgeted, primarily because there was no expenses for staff training which were budgeted for \$25,000.

Total fund balance of the General Fund was \$732,923 at June 30, 2012.

BOCA RATON CHARTER SCHOOL, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2012

CAPITAL ASSETS

The School’s investment in capital assets at June 30, 2012 was \$37,274 (net of depreciation). The investment includes furniture, fixtures, and equipment. The following is a summary of capital assets balances at June 30, 2012:

Furniture, Fixtures and Equipment	\$ 92,259
Less Accumulated Depreciation	<u>54,985</u>
	<u><u>\$ 37,274</u></u>

PROSPECTS FOR THE FUTURE

The School continues to receive funds from State sources in the form of Florida Education Finance Program Fees (FEFP). The fees are evaluated in October and February and are based on student enrollment.

- Administration believes that the School will maintain its “A” rating from the Department of Education, based on test scores and academic achievement.
- The Administration believes that high test scores will to be achieved because of investment in reading and math computer based programs.
- The School should surpass its budgeted amount of 125 students for the 2012-2013 School Year.
- The Administration believes that the School will progress and contribute to the educational requirements of Palm Beach County.

REQUESTS FOR INFORMATION

The Management Discussion and Analysis provides a general overview of the finances of the School. Requests for additional information should be addressed to Brigitte Livingstone, Administrative Assistant, 269 NE 14th Street, Boca Raton, Florida 33432.

BOCA RATON CHARTER SCHOOL, INC.

**Governmental Fund (General Fund) Balance Sheet
June 30, 2012**

	Governmental Funds
ASSETS	
Cash	\$744,066
Prepayments	11,000
Deposits	12,920
Total Assets	<u><u>\$767,986</u></u>
LIABILITIES	
Accrued salaries payable	30,063
Accounts Payable	5,000
Total Liabilities	<u><u>35,063</u></u>
FUND BALANCE	
Nonspendable	11,000
Unassigned	721,923
	<u>732,923</u>
Total Liabilities and Fund Balance	<u><u>\$767,986</u></u>

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS	Account Number	Governmental Activities	Business-type Activities	Total
Cash	1110	\$744,066		\$744,066
Investments	1160			0
Taxes Receivable, net	1120			0
Accounts Receivable, net	1130			0
Interest Receivable	1170			0
Due from Reinsurer	1180			0
Deposits Receivable	1210	12,920		12,920
Due from Other Agencies	1220			0
Internal Balances				0
Inventory	1150			0
Prepaid Expenses	1230	11,000		11,000
Restricted assets:				
Cash with Fiscal Agent	1114			0
Capital assets:				
Land	1310			0
Land Improvements - Non-depreciable	1315			0
Improvements Other Than Buildings	1320			0
Less Accumulated Depreciation	1329			0
Buildings and Fixed Equipment	1330			0
Less Accumulated Depreciation	1339			0
Furniture, Fixtures and Equipment	1340	92,259		92,259
Less Accumulated Depreciation	1349	(54,985)		(54,985)
Motor Vehicles	1350			0
Less Accumulated Depreciation	1359			0
Construction in Progress	1360			0
Property Under Capital Leases	1370			0
Less Accumulated Depreciation	1379			0
Audio Visual Materials	1381			0
Less Accumulated Depreciation	1388			0
Computer Software	1382			0
Less Accumulated Amortization	1389			0
Total assets	Total assets	\$805,260		\$805,260
LIABILITIES AND NET ASSETS				
LIABILITIES				
Salaries and Wages Payable	2110	30,063		30,063
Payroll Deductions and Withholdings	2170			0
Accounts Payable	2120	5,000		5,000
Construction Contracts Payable	2140			0
Due to Fiscal Agent	2240			0
Accrued Interest on Sale of Bonds	2210			0
Deposits Payable	2220			0
Due to Other Agencies	2230			0
Sales Tax Payable	2260			0
Estimated Unpaid Claims	2271			0
Estimated Liability for Claims Adjustment	2272			0
Estimated Liability for Arbitrage Rebate	2280			0
Noncurrent liabilities:				
Portion due within one year:				
Section 237.151 Notes Payable	2250			0
Notes Payable	2310			0
Bonds Payable	2320			0
Obligations Under Capital Leases	2315			0
Liability for Compensated Absences	2330			0
Certificates of Participation Payable	2340			0
Estimated Liability for Long-Term Claims	2350			0
Estimated PECO Advance Payable	2370			0
Deferred Revenue	2410			0
Portion due after one year:				
Notes Payable	2310			0
Bonds Payable	2320			0
Obligations Under Capital Leases	2315			0
Liability for Compensated Absences	2330			0
Certificates of Participation Payable	2340			0
Estimated Liability for Long-Term Claims	2350			0
Estimated PECO Advance Payable	2370			0
Deferred Revenue	2410			0
Total liabilities		35,063		35,063
NET ASSETS				
Invested in Capital Assets, Net of Related Debt		37,274		37,274
Restricted for:				
Categorical Carryover Programs	2710			0
Debt Service	2750			0
Capital Projects				0
Other Purposes				0
Unrestricted(Deficit)		732,923		732,923
Total net assets		770,197		770,197
Total liabilities and net assets		\$805,260		\$805,260

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.

**Reconciliation of the Governmental Fund (General Fund)
Balance Sheet To The Statement of Net Assets
June 30, 2012**

Fund Balance- Governmental Funds \$732,923

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds

Governmental capital assets	\$92,259	
Less accumulated depreciation	<u>(54,985)</u>	
		37,274

Net Assets of Governmental activities \$770,197

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.
Statement of Governmental Fund (General Fund) Revenues, Expenditures and
Changes in Fund Balance
Year Ended June 30, 2012

	<u>Governmental Funds</u>	<u>Special Revenue</u>	<u>Total</u>
EXPENSES			
Instruction	\$333,313	\$3,525	\$336,838
Instructional Staff training	875		875
Board Services	19,316		19,316
General Administration	30,496		30,496
School Administration	130,768		130,768
Fiscal Services	10,024		10,024
Facilities Acquisition	103,670	33,070	136,740
Operation of Plant	17,086		17,086
Maintenance of Plant	16,214		16,214
Pupil Transportation	11,734		11,734
Technical support	884		884
TOTAL EXPENSES	<u>674,380</u>	<u>36,595</u>	<u>710,975</u>
PROGRAM REVENUES			
Florida Education Finance Program (FEFP)	609,978		609,978
Capital grants and contributions		33,070	33,070
Charges for services	104,614		104,614
Total program revenues	<u>714,592</u>	<u>33,070</u>	<u>747,662</u>
GENERAL REVENUES:			
Other federal sources		3,525	3,525
Other state sources	1,734		1,734
Other local sources	223,098		223,098
Total general revenues	<u>224,832</u>	<u>3,525</u>	<u>228,357</u>
Excess of Revenues over expenses	265,044		265,044
Fund Balance, Beginning of Year	<u>467,878</u>		<u>467,878</u>
Fund Balance, End of Year	<u>732,923</u>	<u>\$ -</u>	<u>\$732,923</u>

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
June 30, 2012

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
Instruction	5000	\$ 336,838	\$ 104,614	\$ 5,259		\$ (226,965)		(226,965)
Pupil Personnel Services	6100							
Instructional Media Services	6200							
Instruction and Curriculum Development Services	6300							
Instructional Staff Training Services	6400	875				(875)		(875)
Board	7100	19,316				(19,316)		(19,316)
General Administration	7200	30,496				(30,496)		(30,496)
School Administration	7300	130,768				(130,768)		(130,768)
Facilities Acquisition and Construction	7400	136,740		33,070		(103,670)		(103,670)
Fiscal Services	7500	10,024				(10,024)		(10,024)
Food Services	7600							
Central Services	7700							
Pupil Transportation Services	7800	11,734				(11,734)		(11,734)
Operation of Plant	7900	17,773				(17,773)		(17,773)
Maintenance of Plant	8100	16,214				(16,214)		(16,214)
Technical Support	8200	884				(884)		(884)
Community Services	9100							
Interest on Long-term Debt	9200							
Unallocated Depreciation Expense *								
Total governmental activities		711,662	104,614	38,329		(568,719)		(568,719)
Business-type activities:								
Total business-type activities								
Totals		711,662	104,614	38,329		(568,719)		(568,719)

General Revenues:

Taxes:

Property taxes, levied for operational purposes

Property taxes, levied for debt service

Property taxes, levied for capital projects

Local sales taxes

Florida Education Finance program (FEFP)

Grants and contributions not restricted to specific programs

Investment earnings

Special items

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets-beginning

Net assets-ending

	609,978	
	223,098	223,098
	833,076	833,076
	264,357	264,357
	505,840	505,840
	\$770,197	\$770,197

* This amount excludes the depreciation that is included in direct expenses of the various functions.

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
of Governmental Fund (General Fund) To The
Statement of Activities
June 30, 2012**

Net Changes in Fund Balances- Governmental Funds \$265,044

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

Governmental Funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of those
assets is depreciated over their estimated useful lives.

Expenditures for capital assets		
Less current year depreciation	<u>(687)</u>	<u>(687)</u>
Change in Net Assets of Governmental Activities		<u><u>\$264,357</u></u>

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.
Statement of Revenues, Expenditures and Changes
In Fund Balance-Budget (GAAP Basis) and Actual
All Governmental Fund Types
Year Ended June 30, 2012

	Governmental Funds			Special Revenue			TOTAL		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
EXPENDITURES:									
Instruction	354,518	\$333,313	(\$21,205)	\$3,491	\$3,525	34	\$358,009	\$336,838	(\$21,171)
Instructional Staff training	26,800	875	(25,925)				26,800	875	(25,925)
Board Services	18,890	19,316	426				18,890	19,316	426
General Administration	29,469	30,496	1,027				29,469	30,496	1,027
School Administration	113,351	130,768	17,417				113,351	130,768	17,417
Fiscal Services	10,840	10,024	(816)				10,840	10,024	(816)
Facilities Acquisition	95,807	103,670	7,863	43,443	33,070		139,250	136,740	(2,510)
Operation of Plant	33,100	17,086	(16,014)				33,100	17,086	(16,014)
Maintenance of Plant		16,214	16,214					16,214	16,214
Pupil Transportation	6,000	11,734	5,734				6,000	11,734	5,734
Technical support		884	884					884	884
	<u>688,775</u>	<u>674,380</u>	<u>(14,395)</u>	<u>46,934</u>	<u>36,595</u>	<u>34</u>	<u>735,709</u>	<u>710,975</u>	<u>(24,734)</u>
PROGRAM REVENUES:									
Florida Education Finance Program	589,386	609,978	20,592				589,386	609,978	20,592
Capital grants and contributions				43,443	33,070	(10,373)	43,443	33,070	(10,373)
Charges for services	100,000	104,614	\$4,614				100,000	104,614	4,614
	<u>689,386</u>	<u>714,592</u>	<u>25,206</u>	<u>43,443</u>	<u>33,070</u>	<u>(10,373)</u>	<u>732,829</u>	<u>747,662</u>	<u>14,833</u>

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.
Statement of Revenues, Expenditures and Changes
In Fund Balance-Budget (GAAP Basis) and Actual
All Governmental Fund Types
Year Ended June 30, 2012 (Continued)

	Governmental Funds			Special Revenue			TOTAL		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
GENERAL REVENUES:									
Other federal sources				3,491	3,525	34	3,491	3,525	34
Other state sources		1,734					1,734	1,734	
Other local sources		223,098	223,098				223,098	223,098	
	<u>0</u>	<u>224,832</u>	<u>223,098</u>	<u>3,491</u>	<u>3,525</u>	<u>34</u>	<u>3,491</u>	<u>228,357</u>	<u>224,866</u>
Excess of Expenditures over Revenues	<u>\$ 611</u>	<u>265,044</u>	<u>\$233,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,373)</u>	<u>\$611</u>	<u>265,044</u>	<u>\$264,433</u>
Fund Balance, Beginning of Year		<u>467,878</u>						<u>467,878</u>	
Fund Balance, End of year		<u>\$732,923</u>			<u>\$ -</u>			<u>\$732,923</u>	

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Boca Raton Charter School (“the School”) was established as a nonprofit organization in February 2006 under the laws of the State of Florida and is the reporting entity.

The School operates as a Charter School pursuant to a Charter School Contract (“the Contract”) with the School District of Palm Beach County, Florida. Under the Contract the School provides an elementary education to children who reside in Palm Beach County in and around the City of Boca Raton. For financial statement purposes the School is considered a component unit of the School District of Palm Beach County which is a primary government entity for financial reporting.

The School District of Palm Beach County received 5% of the Florida Education Finance Program (FEFP) revenue as an administrative fee.

The Contract was renewed and is effective through June 2014. The Contract requires the School District to provide the School’s primary source of funding based upon the number of full-time equivalent students (FTES) registered at the School.

The School is a tax-exempt organization under 501(C)(3) of the Internal Revenue Code.

The School’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

Basic Financial Statements

The School’s basic financial statements are the Statements of Net Assets and the Statement of Activities. All the activities of the School are classified as governmental type activities. There are no business type activities of the School. All the School’s governmental type activities are included in the general fund. There are no other major or non major funds. In the Statement of Net Assets, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The School’s net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities reports both the gross and net cost of each of the School’s functions. The functions are also supported by government revenues such as Florida Education Finance Program (FEFP), and Federal Implementation Grants. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants

BOCA RATON CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basic Financial Statements (Cont'd.)

Program revenues must be directly associated with the function (after care and youth services, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants column reflects capital-specific grants.

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the fund 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 federal grants and capital outlay grants that are legally restricted to expenditures for particular purposes.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounting and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The governmental type activities in the financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. When both restricted and unrestricted resources are available for use, it is the policy of the School to use restricted resources first, then unrestricted resources as they are needed.

Measurement Focus

The accounting and financial reporting treatment is determined by applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet and operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net assets.

BOCA RATON CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Measurement Focus (Cont'd.)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financial uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles include the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that subject the School to concentrations of credit risk include cash. While the School attempts to limit its financial exposure, its deposit balances may at times exceed federally insured limits. The school has not experienced any losses on such balances.

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

Fair Value of Financial Instruments

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

Contributed Services and Facilities

The School does not recognize any support, revenue or expense from services contributed by individual volunteers since no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of time to the School's program services.

BOCA RATON CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year expenditures were controlled at the object level (i.e. salaries, purchased services, and capital outlay).

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture, Fixtures and Computer Equipment	5-10 Years
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Revenue Sources

Revenues for operations are received primarily from the School District of Palm Beach County 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 School District of Palm Beach County. Funding for the School is adjusted during the year to reflect the revised calculations by the Florida Department of Education under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. In addition the School receives an annual allocation of charter school capital outlay funds for leasing of school facility.

Fund Balance Classifications

GASB requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

- a) **Nonspendable** fund balance includes amounts that are not in a spendable form such as inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). There was a nonspendable fund balance at year end.

- b) **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. There was no restricted fund balance at year end.

**BOCA RATON CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

- c) **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the School’s highest level of decision making authority. There was no committed fund balance at year end.
- d) **Assigned** fund balance includes amounts intended to be used by the School’s Management for specific purposes but which does not meet the criteria to be classified as restricted or committed. There was no assigned fund balance at year end.
- e) **Unassigned** fund balance includes amounts that are available for any purpose. These amounts are reported only in the general fund. There was an unassigned fund balance at year end.

Order of Fund Spending Policy

The School’s policy is to apply expenditures against nonspendable fund balance, followed in order by restricted fund balance, committed fund balance, assigned fund balance, and lastly unassigned fund balance at the end of the fiscal year. The School’s Board of Directors can deviate from this policy if it is in the best interest of the School.

NOTE 2 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 were as follows:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>Ending</u>
Furniture, Fixtures & Equipment	\$ 92,259	\$ -	\$ -	\$ 92,259
	<u>92,259</u>	<u>-</u>	<u>-</u>	<u>92,259</u>
Less Accumulated Depreciation	54,298	687	-	54,985
NET CAPITAL ASSETS	<u>\$ 37,961</u>	<u>\$ 687</u>	<u>\$ -</u>	<u>\$ 37,274</u>

Depreciation expense of \$687 was charged to Operation of Plant during the year ended June 30, 2012.

BOCA RATON CHARTER SCHOOL, INC.
NOTES TO FINNCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30 2012

NOTE 3 – YACHT TRANSACTIONS

The School is involved in a donation program with a third party company that secures donated boats to not-for-profit organizations as a means of fundraising. The School has a written agreement with the third party company to act as its agent and to handle the entire boat donation program including execution of various documentation that are required to be filed with certain taxing authorities. When the vessels are sold or leased the School receives a donation. The School had six donated boats during the year ended June 30, 2012. These donated vessels have not been recorded on the books of the School because there is no objective way to measure the value of the transaction or of the donation the School will receive when the boats are sold or leased. Even though the School has title to the boats, they have little or no control over the proceeds of sale and thus no ability to determine what revenue will be generated.

During the year the School received approximately \$208,000 from these transactions.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

Lease Agreement

The School leases its facilities annually with options to renew for additional one year terms. Annual rental expenses for the year ended June 30, 2012, were \$135,240. Future minimum lease payments under this lease, assuming the lease will be renewed for additional terms, are as follows:

June 30, 2013	\$ 181,000
June 30, 2014	186,000
June 30, 2015	192,000
June 30, 2016	198,000
June 30, 2017	204,000
	<u>\$ 961,000</u>

Risk Management

The School is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance for all material risks of loss to which the School is exposed, including general liability, property, auto and workers compensation. A review of the last three years reveals that settled claims have not exceeded insurance coverage.

BOCA RATON CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 – COMMITMENTS AND CONTINGENCIES (Cont'd.)

Risk Management (Cont'd.)

The School receives funding from the State of Florida based on the number of full time equivalent (FTE) students who attend the Charter School. The data is compiled by the School and is subject to audit by the State and if errors are found this could result in amounts having to be repaid to the State or decrease in future allocations. Management believes that the amounts that would have to be remitted to the State due to errors in their FTE count would not be material to the financial position of the School.

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated events that occurred subsequent to the year end for potential recognition or disclosure in the financial statements, through the date on which the financial statements were available to be issued. The date when the financial statements were available to be issued was September 16, 2012.

Mark Escoffery, P.A.

Certified Public Accountant

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board Members of
Boca Raton Charter School, Inc.,
Boca Raton, Florida

I have audited the financial statements of Boca Raton Charter School, Inc. ("the School") (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued my report thereon dated September 16, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

**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 (Continued)**

To The Board Members of
Boca Raton Charter School, Inc.
Boca Raton, Florida
Page 2

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board Members, Management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mark Escoffery, P.A.

Palm Beach Gardens, Florida
September 16, 2012

Mark Escoffery, P.A.

Certified Public Accountant

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MANAGEMENT LETTER

To the Board Members of
Boca Raton Charter School, Inc.
Boca Raton, Florida

I have audited the financial statements of Boca Raton Charter School, Inc., Florida, (“the School”) as of and for the fiscal year ended June 30, 2012, and have issued my report thereon dated September 16, 2012.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. I have issued my Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in those reports and schedule, which are dated September 16, 2012, should be considered in conjunction with this management letter.

Additionally, my 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 reports or schedule:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that I address in the management letter any recommendations to improve financial management. In connection with my audit, I did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that I address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with my audit, I did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) control deficiencies that are not significant deficiencies. In connection with my audit, I did not have any such findings.

- Section 10.854(1)(e)6, Rules of the Auditor General, requires the name or official title of the School. The official title of the School is Boca Raton Charter School, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement to 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 my audit, I determined that the Boca Raton Charter School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, I applied financial condition assessment procedures. It is Management's responsibility to monitor the Boca Raton Charter School, Inc.'s financial condition, and my financial condition assessment was based in part on representations made by Management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require me to indicate that this letter is intended solely for the information and use of Management, the Florida Auditor General, the School's Board Members and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Mark Escoffery, PA.

September 16, 2012