

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

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORTS**

YEAR ENDED JUNE 30, 2019

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

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INTRODUCTORY SECTION

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

**OFFICERS OF THE BOARD OF DIRECTORS
JUNE 30, 2019**

Gary Boyer	President
Scott Gaenicke	Vice President
Pat O'Sullivan	Treasurer
Theresa Murphy	Secretary

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of Brevard Innovative Charter Schools, Inc., component unit of the School Board of Brevard County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the school's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brevard Innovative Charter Schools, Inc., as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 14 and 33 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 26, 2019, on my consideration of Brevard Innovative Charter Schools, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Brevard Innovative Charter Schools, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brevard Innovative Charter Schools, Inc.'s internal control over financial reporting and compliance.

Lark Janes CPA LLC

Lark Janes CPA LLC
Certified Public Accountant
August 26, 2019

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements

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

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

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

Fund Financial Statements

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

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

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

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund basic financial statements.

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The School's net position was \$1,901,107 at June 30, 2019. Of this amount, \$188,977 was net investment in capital assets and \$435,788 was restricted, leaving \$1,276,342 in unrestricted net position.

Capital assets are approximately \$64,000 lower than the prior year because depreciation of \$198,200 was only partially offset by new additions of \$134,000. Long-term debt is approximately \$91,000 lower at June 30, 2019 than the prior year, primarily due to the maturity of \$85,000 Principal from the 2008 Note and \$10,000 of the 2012 Note, paid as scheduled.

Due to requirements of the bond indentures underlying the long-term debt, certain reserve funds must be maintained, resulting in restricted net position for debt service at June 30, 2019. These reserve funds are held as investments in the Debt Service Fund. The Repair and Replacement reserve was funded an additional \$20,000 during the year as required. This amount is reserved for major building repairs and can be accessed by the school as needed. In the current year, though the school had eligible assets, it did not draw funding from this account, choosing to keep those funds with the Trustee. As of June 30, 2019, the balance of the Repair and Replacement Account was approximately \$105,000.

Summary of Net Position

	<u>Governmental Activities</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>		
Current and other assets	\$ 3,299,595	\$ 3,080,635	\$ 218,960	7%
Capital assets	4,123,194	4,186,791	(63,597)	-2%
Total assets	<u>7,422,789</u>	<u>7,267,426</u>	<u>155,363</u>	2%
Long-term debt outstanding	5,124,634	5,215,545	(90,911)	-2%
Other liabilities	397,048	343,259	53,789	16%
Total liabilities	<u>5,521,682</u>	<u>5,558,804</u>	<u>(37,122)</u>	-1%
Net position:				
Net investment in capital assets	188,977	157,575	31,402	20%
Restricted	435,788	402,914	32,874	8%
Unrestricted	1,276,342	1,148,133	128,209	11%
Total net position	<u>\$ 1,901,107</u>	<u>\$ 1,708,622</u>	<u>\$ 192,485</u>	11%

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Change in Net Position

The School's change in net position was approximately \$192,000 for the year ended June 30, 2019. The state's education finance program provides 89% of the School's revenues, with the remainder coming from local sources. The state funding is based on student enrollment, which was 550.29 full time equivalent students (FTE) in 2019, compared with 550.62 FTE in 2018.

Program revenues decreased 5% due to a board approved rate decrease for parents of multiple children, as well as normal fluctuations in usage in the Before and After Care Center. Other Government Funding increased 5% due to an increase in Capital Outlay of \$105,600, additional state funding dedicated to Security, including a \$19,900 state grant for facility hardening and additional FEFP funding of \$18,600 for Guardians and other school security needs, and new funding of \$13,000 dedicated toward student mental health needs. Other program revenue increases over prior year were seen in Discretionary Millage (+\$18,000), Funding Compression (+\$9,500), Best And Brightest Teacher/Highly Qualified state bonuses (+\$11,000) and defrayment of hurricane expenses incurred in 2015 of \$2,350. Investment earnings are performing well in both the Bond Reserves and in the School's holdings. The School does not anticipate selling any of these assets before maturity. Other Income is up 13%, comprised primarily of donations, school field trips and class directed fundraising, and reflects a non-cash donation of laptops valued at over \$35,000.

Summary of Changes in Net Position

	<u>Governmental</u> <u>Activities</u>		<u>Amount</u> <u>Change</u>	<u>%</u> <u>Change</u>
	<u>2019</u>	<u>2018</u>		
Revenues				
Program revenues				
Charges for services	\$ 235,230	\$ 248,389	\$ (13,159)	-5%
General revenues				
Other government funding not restricted to specific programs	4,241,556	4,038,007	203,549	5%
Investment earnings	53,244	16,436	36,808	224%
Other income	242,211	213,913	28,298	13%
Total revenues	<u>4,772,241</u>	<u>4,516,745</u>	<u>255,496</u>	6%
Expenses				
Instruction	3,005,731	2,853,656	152,075	5%
Instructional support	78,612	70,244	8,368	12%
Instructional media services	73,018	71,303	1,715	2%
Instructional staff training	13,609	21,165	(7,556)	-36%
Instruction related technology	78,847	64,230	14,617	23%
School administration	450,467	438,431	12,036	3%
Fiscal services	23,450	23,238	212	1%
Pupil transportation	108,000	108,000	-	0%
Operation of plant	365,833	318,696	47,137	15%
Maintenance of plant	13,123	17,597	(4,474)	-25%
Interest on long-term debt	369,066	375,820	(6,754)	-2%
Total expenses	<u>4,579,756</u>	<u>4,362,380</u>	<u>217,376</u>	5%
Change in net position	<u>\$ 192,485</u>	<u>\$ 154,365</u>	<u>\$ 38,120</u>	25%

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Change in Net Position (continued)

The cost of the program was approximately \$4.6 million, of which 72% was personnel cost. Instructional Costs increased significantly over the prior year mainly due to increased spending in instructional technology, software and textbooks of \$77,000 mainly due to new curriculum and technology needs and an increase in instructional personnel wage costs of approximately \$67,000, mainly due to a new activity class and teacher, budgeted raises and higher state driven teacher bonuses.

Operation of plant has increased over the prior year by \$47,000 mainly due to the inclusion of building security costs of \$22,000, increased furniture and equipment purchases of approximately \$9,000, increases in general utility and fire system support of \$11,000 and budgeted wage increases.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

At June 30, 2019, the School's governmental funds reported a combined fund balance of approximately \$2.99 million, an increase from last year's balance of \$2.8 million.

The excess of revenues over expenditures in the General Fund was approximately \$118,000 in 2019, compared to an excess of approximately \$203,000 in 2018. The decrease from the prior year is mainly caused by the addition of a new class and instructor, and mandated spending on security and building needs.

The Debt Service Fund is funded with Capital Outlay revenues and transfers from the General Fund. This fund holds the reserve accounts required by the notes payable, including amounts for the next due date for payment of principal and interest. An additional \$20,000 was transferred to the Plant and Equipment Repair and Replacement Reserve, required by the terms of the long-term debt, during the current year.

BUDGET VARIANCES IN THE GENERAL FUND

Since the School is incorporated as a nonprofit entity, budgets are approved by the Board of Directors. The Board of Directors approved a budget for the General Fund for the 2018-2019 fiscal year. The budget was amended in January 2019.

For the General Fund, after adjustment to the budgetary basis, actual revenues were approximately \$50,000 above the budgeted amounts. Government revenues were favorable by approximately \$36,000, mainly due to the unbudgeted Security Hardening Grant of \$19,900 and the Best and Brightest Bonus/Highly Qualified Bonus received \$13,000 more than expected. Other revenues were favorable by approximately \$21,000 due to donations of cash and equipment higher than anticipated. Actual expenses were approximately \$29,000 above budget mainly due to the associated expenses of the above revenue variances.

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of fiscal year 2019, the School had invested approximately \$4.1 million in a broad range of capital assets. In the current year, the School added capital assets totaling approximately \$134,000, including repaving the parking lot (\$89,000), covering the bottom floor windows with a protective Film (\$15,800), installing cameras throughout the building (\$2,700), replacing one internal HVAC unit and purchasing the cabling (\$13,321) needed to replace all network connections throughout the building.

	Capital Assets		% Change
	Net of Accumulated Depreciation		
	Governmental Activities		
	<u>2019</u>	<u>2018</u>	
Land	\$ 496,140	\$ 496,140	0%
Land improvements	154,547	90,461	71%
Building	2,726,443	2,829,965	-4%
Building improvements	614,815	635,616	-3%
Equipment	117,928	134,609	-12%
Vehicle	-	-	0%
Construction in progress	13,321	-	100%
Total	<u>\$ 4,123,194</u>	<u>\$ 4,186,791</u>	-2%

Long-term Debt

At June 30, 2019, the School had \$5.1 million in long-term debt outstanding. \$5.07 million of this debt was incurred through a conduit bond financing arrangement, with the proceeds used to purchase the existing facility as well as to provide funds to renovate and expand portions of the building. The School has made all required principal and interest payments as scheduled. The rate covenant requirement set by the loan agreement to hold 3% of operating expenses in unreserved cash at year end was satisfied.

The School has a policy allowing limited vesting of unused employee leave time. At June 30, 2019, approximately \$55,000 liability for compensated absences is included in long term liabilities.

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

CAPITAL ASSETS AND LONG-TERM DEBT (continued)

	Long Term Debt		%
	Governmental Activities		
	<u>2019</u>	<u>2018</u>	
Notes payable	\$ 5,070,000	\$ 5,165,000	-2%
Compensated absences	54,634	50,545	8%
Total	<u>\$ 5,124,634</u>	<u>\$ 5,215,545</u>	-2%

SIGNIFICANT ECONOMIC FACTORS

The School operates under a charter of the sponsoring School district, the School Board of Brevard County, Florida and is entering its seventh year of a 15-year contract. The School, an official Core Knowledge School, maintained its High Performing Charter School status as recognized by the State of Florida and remains a Core Knowledge "Visitation" School, as an example of excellence and fidelity in teaching

As a result of its high academic performance on the 2018-2019 state required Florida Standards Assessment, the School has once again received an "A" rating from the State of Florida, achieving this goal every year since school grading began.

In the upcoming year, the school celebrates its 20th year since its founding in 1999. Through community events like the Annual A. Max Brewer 5K, going into its 11 year, and its continuing record of excellence, the School is well known locally and to many, has become the standard of excellent education for North Brevard.

Student enrollment, which forms the basis for the most significant revenue source for the School, is 550.29 for the 2018-2019 school year. As stated in the charter agreement, the School can enroll a maximum of 800 students for the upcoming year. The School has met or bettered enrollment projections each year.

The school again continues to access additional state funding beyond per pupil funding with the Best and Brightest Bonuses passed on to the eligible teachers, and through continued pursuit of Federal funding for IDEA and Title II. In the upcoming year, the School will also be eligible for Title IV funding which is dedicated to teacher education, safe school conditions, and improving technology.

In the 2018-2019 year, the School received a state Security Hardening Grant. This grant provided funds to add cameras throughout the interior and exterior of the building. It also provided funds to install a security film to the windows on the first floor. The school participated and continues to participate in the Coach Aaron Feis Guardian Program. This program ensures highly trained personnel are in place to immediately respond in the event of a school shooting. The replacement of all internet cabling throughout the building was completed in the summer of 2019 and a program to replace all PCs throughout the building within two years was begun.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

SIGNIFICANT ECONOMIC FACTORS (continued)

The local economy is healthy and continues to grow. The jobless rate in Titusville, currently at 3.1%, continues to decrease and is ranked as the 13th lowest unemployment rate in the state of Florida. Along with growth in commerce and industry, Titusville continues to experience a growth in population. Some economists predict future job growth over the next ten years will be 40.7%, which is higher than the US average of 33.5%.

In spring 2019, Boeing announced the relocation of its Space and Command Headquarters to Titusville. The Space Center continues to experience strong growth, launches are occurring frequently. SpaceX is continuing its expansion at the Kennedy Space Center while building permits are in process for 2 new buildings on the local Blue Origin Campus, a space industry contractor founded by Jeff Bezos.

Titusville, due to its proximity to the space center and to popular tourist destinations in Orlando, continues to see hotel expansion. Extended Stay began construction on a 124 unit, 4 story hotel just off I-95, near the new Durango's Restaurant. Hyatt Hotel is currently building a 2 story hotel, with 119 rooms, on US #1 and Riverfront Center Blvd.

Education remains a key factor to Florida voters and the School is optimistic that funding from the State will continue to increase, though the School is well-positioned to weather potential downturns.

Sculptor's excellent record as an "A" rated school since grading began in Florida, its well-founded reputation within the community and continued demand for positions within the school combine with a fiscally conservative management to continue Sculptor's success story.

BASIC FINANCIAL STATEMENTS

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>	<u>Adjustments (Note II. A.)</u>	<u>Statement of Net Position</u>
ASSETS					
Cash	\$ 920,098	\$ -	\$ 920,098	\$ -	\$ 920,098
Investments	1,222,921	1,105,332	2,328,253	-	2,328,253
Due from School Board	-	20,968	20,968	-	20,968
Accounts receivable	22,689	-	22,689	-	22,689
Prepaid items	7,587	-	7,587	-	7,587
Land	-	-	-	496,140	496,140
Other capital assets, net of accumulated depreciation	-	-	-	3,627,054	3,627,054
TOTAL ASSETS	<u>\$ 2,173,295</u>	<u>\$ 1,126,300</u>	<u>\$ 3,299,595</u>	<u>4,123,194</u>	<u>7,422,789</u>
LIABILITIES					
Accounts payable	\$ 45,569	\$ -	\$ 45,569	-	45,569
Accrued liabilities	259,641	-	259,641	91,838	351,479
Long term liabilities					
Due within one year	-	-	-	-	-
Due in more than one year	-	-	-	5,124,634	5,124,634
TOTAL LIABILITIES	<u>305,210</u>	<u>-</u>	<u>305,210</u>	<u>5,216,472</u>	<u>5,521,682</u>
FUND BALANCES/NET POSITION					
Fund balances:					
Nonspendable	7,587	-	7,587	(7,587)	-
Restricted for:					
Debt service	-	1,126,300	1,126,300	(1,126,300)	-
Unassigned	1,860,498	-	1,860,498	(1,860,498)	-
Total fund balances	<u>1,868,085</u>	<u>1,126,300</u>	<u>2,994,385</u>		
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,173,295</u>	<u>\$ 1,126,300</u>	<u>\$ 3,299,595</u>		
Net position:					
Net investment in capital assets				188,977	188,977
Restricted for:					
Debt service				435,788	435,788
Unrestricted				1,276,342	1,276,342
TOTAL NET POSITION				<u>\$ 1,901,107</u>	<u>\$ 1,901,107</u>

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

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments (Note II. B.)</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES					
Current:					
Instruction	\$ 2,839,337	\$ -	\$ 2,839,337	\$ 166,394	\$ 3,005,731
Instructional support	75,584	-	75,584	3,028	78,612
Instructional media services	62,319	-	62,319	10,699	73,018
Instruction staff training	13,609	-	13,609	-	13,609
Instructional related technology	78,847	-	78,847	-	78,847
School administration	428,300	-	428,300	22,167	450,467
Fiscal services	23,450	-	23,450	-	23,450
Pupil transportation	108,000	-	108,000	-	108,000
Operation of plant	365,833	-	365,833	-	365,833
Maintenance of plant	13,123	-	13,123	-	13,123
Capital outlay	134,603	-	134,603	(134,603)	-
Debt service:					
Principal	-	95,000	95,000	(95,000)	-
Interest	-	370,781	370,781	(1,715)	369,066
TOTAL EXPENDITURES/EXPENSES	<u>4,143,005</u>	<u>465,781</u>	<u>4,608,786</u>	<u>(29,030)</u>	<u>4,579,756</u>
PROGRAM REVENUES:					
Charges for services	235,230	-	235,230	-	235,230
NET PROGRAM EXPENSE					<u>4,344,526</u>
GENERAL REVENUES					
Other government funding not restricted to specific programs	3,973,550	268,006	4,241,556	-	4,241,556
Investment earnings	34,011	19,233	53,244	-	53,244
Other income	242,211	-	242,211	-	242,211
Other financing sources (uses) Fund transfers	(224,177)	224,177	-	-	-
TOTAL GENERAL REVENUES AND OTHER FINANCING SOURCES	<u>4,025,595</u>	<u>511,416</u>	<u>4,537,011</u>	<u>-</u>	<u>4,537,011</u>
Excess (deficit) of revenues over expenditures and other financing sources	117,820	45,635	163,455	(163,455)	-
Change in net position				192,485	192,485
FUND BALANCES/NET POSITION					
Beginning of the year	1,750,264	1,080,665	2,830,929	(1,122,307)	1,708,622
End of the year	<u>\$ 1,868,084</u>	<u>\$ 1,126,300</u>	<u>\$ 2,994,384</u>	<u>\$ (1,093,277)</u>	<u>\$ 1,901,107</u>

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

NOTES TO THE FINANCIAL STATEMENTS

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

The general operating authority of the School is contained in Florida Statutes. The School operates grades K through 8 as Sculptor Charter School under a charter of the sponsoring School district, the School Board of Brevard County, Florida. The current charter is effective until June 30, 2027, and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. The charter school contract provides that in the event the school is dissolved or terminated, any public unencumbered funds and all school property purchased with public funds automatically revert to the School Board of Brevard County. During the term of the charter, the School Board may also terminate the charter if good cause is shown.

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

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the School. The effect of interfund activity has been removed from these statements. The statements consist primarily of government activities, which are supported by government revenues.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment; indirect expenses are allocated to various functions. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

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

The government-wide financial statements, consisting of the Statement of Net Position and the Statement of Activities, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Governmental Accounting Standards Board Statements establish standards for the accounting and reporting of deferred outflows and deferred inflows of resources, and their effects on a government's net position. Deferred outflows of resources are defined as a consumption of assets by the government that is applicable to a future reporting period, and deferred inflows of resources are defined as an acquisition of assets by the government that is applicable to a future reporting period. The School had no deferred outflows or inflows at June 30, 2019.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government reports the following major governmental funds:

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

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

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

D. Assets, liabilities, and net position or equity

1. Deposits and investments

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

2. Accounts Receivable

Trade accounts receivable are stated net of an allowance for uncollectible accounts. The allowance is provided for based on prior experience and management's assessment of the status of current accounts.

3. Internal receivables, payables, and transfers

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

Transfers between funds are made to move unrestricted fund revenues to finance debt service requirements and program activities accounted for in other funds.

4. Prepaid items

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

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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THE SCHOOL BOARD OF BREVARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Capital assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
Building	39
Building improvements	5-40
Land improvements	5-20
Equipment	3-10
Vehicle	5

6. Compensated absences

It is the school's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. The School has adopted a policy allowing limited vesting of unused employee leave time. The full liability for unpaid accumulated leave is reflected on the Statement of Net Position. A liability for these amounts is reported in governmental funds only if they have matured, for example, when employees separate from service with the school. Records kept for compensated absences relate only to hours earned, used and available, therefore gross additions and deletions to the reported value of the liability for compensated absences cannot be reasonably determined. Accordingly, only the net change in the accumulated value of compensated absences is shown for the current fiscal year.

7. Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

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

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Fund equity and net position

The governmental fund financial statements report fund balances based on classifications that comprise a hierarchy based primarily on the extent to which constraints, external or internal, are imposed upon the use of the resources reported in the funds. Fund balance classifications reflect the nature of the funds and the level of restriction placed upon fund balance. These classifications are:

- Nonspendable, cannot be spent either because not in spendable form or because of legal or contractual requirements;
- Restricted, which has externally-imposed limitations on use;
- Committed, requiring action of the Board of Directors, the highest level of decision-making authority;
- Assigned, intended by the Board of Directors or delegated to the Principal to be used for specific purposes that are neither restricted or committed; and
- Unassigned.

The government-wide financial statements classify net position as follows:

- Net investment in capital assets, includes capital assets (net of accumulated depreciation) reduced by outstanding balance of borrowings attributable to the acquisition, construction, or improvement of those assets;
- Restricted, includes assets that have third-party limitations on their use; and
- Unrestricted, includes unrestricted liquid assets.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources (committed, assigned, and unassigned) as they are needed. The School does not have a formal minimum fund balance requirement.

9. Revenue Sources

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

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Revenue Sources (continued)

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

Program revenue includes preschool programs and care and activities provided outside of the school session.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Tax Status

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Total fund balances	\$ 2,994,385
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	4,123,194
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Note payable	(5,070,000)
Accrued interest payable	(91,838)
Compensated absences	(54,634)
Total net position	\$ 1,901,107

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

Net change in fund balances -- total governmental funds	\$ 163,455
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	134,603
Depreciation expense	(198,200)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.	
Payments of principal	95,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	
Accrued interest	1,715
Compensated absences	(4,088)
Change in net position of governmental activities	\$ 192,485

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- A. Budgetary information

Since the School is incorporated as a nonprofit entity, budgets are approved by the Board of Directors. An annual budget for the General Fund is presented on a basis consistent with generally accepted accounting principles, except for certain differences as further explained in notes to the Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual. A budget was also adopted for the Debt Service Fund.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the school's deposits may not be returned to it. The school has a policy specifying that bank deposits will be made in qualified state depositories and will be diversified among institutions. At June 30, 2019, the school's carrying amount of deposits was \$920,098. The bank balances totaled \$936,900. Of these balances, approximately \$184,000 was not covered by federal depository insurance.

Investments

Government accounting standards establish a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the specific characteristics of the investment. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Investments traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2 – Investments not traded on an active market but for which observable market inputs are available for an asset, either directly or indirectly, as of the reporting date.

Level 3 – Investments not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

As of June 30, 2019, the School had \$755,971 in certificates of deposit and \$466,950 in investments in governmental bonds, valued at fair value as Level 2. In addition, at year end the School held \$1,105,332 in a money market fund (further discussed below) which is presented at net asset value (NAV), which is Level 1.

In connection with the issuance of debt in September 2008 and February 2012, further discussed in Note IV.E., the school was required to deposit part of the proceeds and other required deposits from time to time with the trustee. The trust indenture only permits investment of funds in certain qualified investments, such as direct obligations of the United States, investments backed by the full faith and credit of the United States, highly rated money market funds and certain other collateralized investments. At June 30, 2019, the trustee held \$1,105,332 of reserve funds in a money market fund. This fund had a Standard & Poor's rating of AAAM, consistent with the indenture.

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JUNE 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

Interest Rate Risk. The School's investment policy has the objective to minimize risk to the value of securities due to changes in the general interest rates. Investments in government bonds held at June 30, 2019 have maturities of one to two years; monies are invested to ensure that funds are available to meet operating requirements.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School's policy allows for investments in a) local government investment pools which carry an AAAM rating at purchase, b) FDIC insured certificates of deposit, c) deposits in Qualified State Depositories, d) U.S. Treasury and affiliated Agency securities, and e) guaranteed insurance contracts with the top ratings issued by nationally recognized statistical rating organizations.

Custodial Credit Risk. Of the School's investments totaling \$2,328,253, \$755,971 are covered by depository insurance provided by Federal Deposit Insurance Corporation, and \$466,950 are covered by depository insurance provided through the Securities Investor Protection Corporation. The remaining \$1,105,332 are reserve funds held by an institutional trustee in accordance with the terms of the trust indenture.

Concentration of Credit Risk. The School's investment policy provides for appropriate diversification of the investment portfolio. U.S. Treasury and affiliated Agency securities may make up 100% of the portfolio, with a limit of 20% in a single investment. All of the School's investments are in this category; with the exception of the reserve funds which, in accordance with the indenture are all invested in one money market mutual fund, no single investment exceeds the 20% limit.

B. Capital assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 496,140	\$ -	\$ -	\$ 496,140
Construction in progress	-	13,321	-	13,321
Total capital assets, not being depreciated	496,140	13,321	-	509,461
Capital assets, being depreciated				
Building	3,733,364	-	-	3,733,364
Building improvements	1,130,965	15,830	-	1,146,795
Land improvements	129,027	88,610	-	217,637
Equipment	306,530	16,842	-	323,372
Vehicle	10,980	-	-	10,980
Total capital assets, being depreciated	5,310,866	121,282	-	5,432,148
Less accumulated depreciation	(1,620,215)	(198,200)	-	(1,818,415)
Total capital assets, being depreciated, net	3,690,651	(76,918)	-	3,613,733
Capital assets, net	\$ 4,186,791	\$ (63,597)	\$ -	\$ 4,123,194

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NOTES TO FINANCIAL STATEMENTS
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IV. DETAILED NOTES ON ALL FUNDS (Continued)

B. Capital assets (continued)

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

Function	Amount
Instruction	\$ 162,306
Instructional support services	3,028
Instructional media services	10,699
School administration	22,167
	<u>\$ 198,200</u>

C. Long-term debt

In September 2008, the School executed two notes payable to Florida Development Finance Corporation (FDFC), associated with revenue bonds issued by FDFC in the aggregate amount of \$4,960,000. The bonds were issued in two series; Series 2008A in the amount of \$4,710,000, accruing interest at 7.25% and maturing October 2038, and Series 2008B in the amount of \$250,000, which matured and was fully paid in October 2014. The notes, which have maturity and interest rate terms mirroring the bonds, are secured by a pledge of revenues of the School and a Mortgage and Security Agreement on the School's land, buildings and improvements. Certain restrictive covenants are imposed by this debt, including maintaining the charter contract with the school district and maintaining certain cash reserves. At June 30, 2019, the outstanding balance of the Series 2008A note payable was \$4,385,000. The School was in compliance with its debt covenants at June 30, 2019.

In February 2012, the School executed an additional note payable to FDFC, associated with revenue bonds issued by FDFC in the aggregate amount of \$720,000. The Series 2012 bonds are in two lots, with \$125,000 accruing interest at 7.0% and maturing October 2026, and \$595,000 accruing interest at 7.25% and maturing October 2041. The notes, which have maturity and interest rate terms mirroring the bonds, are secured by a pledge of revenues of the School and a Mortgage and Assignment Agreement of the School's "rents, leases and profits". Certain restrictive covenants are imposed by this debt, including maintaining the charter contract with the school district and maintaining certain cash reserves. At June 30, 2019, the outstanding balance of the notes payable was \$685,000. The School was in compliance with its debt covenants at June 30, 2019.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Long-term debt (continued)

Pledged revenues, comprising all revenues of the School, approximately \$4.8 million in fiscal 2019, are significantly in excess of annual debt service requirements, approximately \$466,000 in fiscal 2019, and are expected to be adequate to fulfill the pledge for the remainder of the period the debt is outstanding. Future debt service requirements are as follows:

Year ending June 30,		<u>Principal</u>	<u>Interest</u>
2020	\$	105,000	\$ 363,557
2021		110,000	355,788
2022		120,000	347,470
2023		125,000	338,619
2024		135,000	329,219
2025-2029		855,000	1,476,121
2030-2034		1,235,000	1,101,822
2035-2039		2,190,000	545,926
2040-2042		195,000	21,933
Total	\$	<u>5,070,000</u>	<u>\$ 4,880,455</u>

Accrued liabilities in the government-wide statement of net position includes approximately \$92,000 in accrued interest for a payment that will be due October 1, 2019.

Changes in long-term liabilities for the year ended June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 5,165,000	\$ -	\$ 95,000	\$ 5,070,000	\$ 105,000
Compensated absences	50,545	4,089	-	54,634	-
Total long-term liabilities	<u>\$ 5,215,545</u>	<u>\$ 4,089</u>	<u>\$ 95,000</u>	<u>\$ 5,124,634</u>	<u>\$ 105,000</u>

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Schedule of governmental funds revenue sources

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

<u>Sources</u>	<u>Amounts</u>
School Board of Brevard County, Florida	
Florida Education Finance Program	\$ 2,388,230
Safe Schools	30,671
Mental Health Allocation	12,942
ESE Guaranteed Allocation	195,263
Supplemental Academic Instruction	151,855
Reading Allocation	23,129
Transportation	65,376
Instructional Materials Allocation	38,626
Library Media Allocation	2,483
Discretionary Millage	219,525
Discretionary Compression	58,243
Funding Compression Allocation	9,236
Discretionary Lottery	1,809
Digital Classroom Allocation	10,705
Class Size Reduction	617,614
Subtotal	<u>3,825,707</u>
Less : administrative fee	<u>(34,761)</u>
	3,790,946
Capital Outlay Award	268,006
School Recognition	55,062
Teacher Classroom Supply Assistance	10,391
Title II	12,535
IDEA	13,293
Other State Revenue	91,323
Total, School Board of Brevard County	<u>4,241,556</u>
Other local sources	<u>530,685</u>
Total	<u><u>\$ 4,772,241</u></u>

Revenue from the School Board of Brevard County, Florida constitutes 89 percent of the School's total revenue, representing a concentration of risk.

E. Capital Outlay and Local Capital Improvement Revenue funds

During fiscal 2019, the School used \$268,006 of Capital Outlay funds available under the Charter School Capital Outlay Program. This funding may be used for any capital outlay purpose directly related to the functioning of the charter school. These funds were used to make payments for debt service on the purchase of the school facility, reflected in the Debt Service fund.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

V. OTHER INFORMATION

A. Risk management

The school is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the school carries commercial insurance.

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

B. Commitments

The School has a contract with a private vendor for transportation services for students attending the School extending through the fiscal year ending June 30, 2020. The cost of these services is estimated to be \$108,000 annually.

C. Related party transactions

The School carries out several significant transactions with its sponsor, the School Board of Brevard County. During fiscal 2019, it received funding of \$4,241,556 directly from the School Board. At June 30, 2019, the School had a receivable of \$20,968 from the School Board. These accounts represent concentrations of risk in their respective areas for the School.

D. Retirement plan

The School sponsors a defined contribution plan for all employees who have been employed full time with the School for three years. The plan permits voluntary contributions from employees, based on a salary reduction agreement, and provides for employer matching contributions (3% for fiscal 2019). During fiscal 2019, the School made contributions of \$36,960 to the plan for thirty-six participating employees.

E. Subsequent events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through August 26, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
REVENUES					
Other government funding not restricted to specific programs	\$ 3,867,906	\$ 3,938,039	\$ 3,973,550	\$ -	\$ 3,973,550
Program	246,930	240,930	235,230	-	235,230
Investment earnings	26,000	35,000	34,011	-	34,011
Other	144,300	157,534	178,333	(1) (63,878)	242,211
TOTAL REVENUES	4,285,136	4,371,503	4,421,124	(63,878)	4,485,002
EXPENDITURES					
Current-education					
Instruction	2,788,457	2,792,923	2,839,337	-	2,839,337
Instructional support	68,450	68,923	75,584	-	75,584
Instructional media services	66,294	67,071	62,319	-	62,319
Instructional staff training	21,500	22,400	13,609	-	13,609
Instructional related technology	83,054	83,316	78,847	-	78,847
School administration	412,304	430,908	428,300	-	428,300
Fiscal services	24,200	24,200	23,450	-	23,450
Pupil transportation	108,000	108,000	108,000	-	108,000
Operation of plant	333,290	374,165	365,833	-	365,833
Maintenance of plant	25,100	142,330	147,726	(2) 134,603	13,123
Capital outlay	-	-	-	(2) (134,603)	134,603
TOTAL EXPENDITURES	3,930,649	4,114,236	4,143,005	-	4,143,005
Excess (deficit) of revenues over expenditures	354,487	257,267	278,119	(63,878)	341,997
OTHER FINANCING SOURCES (USES)					
Transfers out	(303,782)	(183,782)	(224,177)	-	(224,177)
TOTAL OTHER FINANCING SOURCES (USES)	(303,782)	(183,782)	(224,177)	-	(224,177)
Fund balances, beginning of the year	1,750,264	1,750,264	1,750,264	-	1,750,264
Fund balances, end of the year	<u>\$ 1,800,969</u>	<u>\$ 1,823,749</u>	<u>\$ 1,804,206</u>	<u>\$ (63,878)</u>	<u>\$ 1,868,084</u>

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

Explanation of differences:

(1) The School general fund budget does not include fundraising.

(63,878)

(2) The School general fund budget included capital items in maintenance.

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\$ (63,878)

**ADDITIONAL ELEMENTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND
THE RULES OF THE AUDITOR GENERAL**

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

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

I have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Brevard Innovative Charter Schools, Inc., component unit of the School Board of Brevard County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Brevard Innovative Charter Schools, Inc.'s basic financial statements, and have issued my report thereon dated August 26, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Brevard Innovative Charter Schools, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brevard Innovative Charter Schools, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Brevard Innovative Charter Schools, Inc.'s internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brevard Innovative Charter Schools, Inc.'s financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lark Janes CPA LLC

Lark Janes CPA LLC
Certified Public Accountant
August 26, 2019

MANAGEMENT LETTER

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

Report on the Financial Statements

I have audited the financial statements of Brevard Innovative Charter Schools, Inc., as of and for the fiscal year ended June 30, 2019, and have issued my report thereon dated August 26, 2019.

Auditor's Responsibility

I conducted my 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; and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

I have issued my Independent Auditor's 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*. Disclosures in that report, which is dated August 26, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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. No findings were reported in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity is Brevard Innovative Charter Schools, Inc., d/b/a Sculptor Charter School 056508.

Financial Condition

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require me to apply appropriate procedures and communicate whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with my audit, I determined that Brevard Innovative Charter Schools, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, I applied financial condition assessment procedures for the school. It is management's responsibility to monitor the school'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.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that I communicate any recommendations to improve financial management. In connection with my audit, I did not have any such recommendations.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require me to apply appropriate procedures and communicate the results of my determination as to whether the school maintains on its web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with my audit, I determined that Brevard Innovative Charter Schools, Inc. maintained on its web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires me to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with my audit, I did not note any such findings.

Purpose of this Letter

This management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the School Board of Brevard County, Florida, and Brevard Innovative Charter Schools, Inc. Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

Lark Janes CPA LLC

Lark Janes CPA LLC
Certified Public Accountant
August 26, 2019