

**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, 2018

**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, 2018**

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, 2018, 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, 2018, 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 27, 2018, 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 27, 2018

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

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, 2018

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, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The School's net position was \$1,708,622 at June 30, 2018. Of this amount, \$157,575 was net investment in capital assets and \$402,914 was restricted, leaving \$1,148,133 in unrestricted net position.

Capital assets are approximately \$158,000 lower than the prior year because of depreciation of \$185,025, only partially offset by new additions of \$27,307 to add a fence around the back playground and to upgrade the internal school network.

Long-term debt is approximately \$85,000 lower at June 30, 2018 than the prior year, primarily due to the maturity of \$80,000 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, 2018. 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, the school did not draw any funding from this account. As of June 30, 2018, the balance of the Repair and Replacement Account was \$83,000.

Summary of Net Position

	Governmental Activities		Amount Change	% Change
	<u>2018</u>	<u>2017</u>		
Current and other assets	\$ 3,080,635	\$ 2,854,202	\$ 226,433	8%
Capital assets	4,186,791	4,344,509	(157,718)	-4%
Total assets	<u>7,267,426</u>	<u>7,198,711</u>	<u>68,715</u>	1%
Long-term debt outstanding	5,215,545	5,300,235	(84,690)	-2%
Other liabilities	343,259	344,219	(960)	0%
Total liabilities	<u>5,558,804</u>	<u>5,644,454</u>	<u>(85,650)</u>	-2%
Net position:				
Net investment in capital assets	157,575	224,934	(67,359)	-30%
Restricted	402,914	376,078	26,836	7%
Unrestricted	1,148,133	953,245	194,888	20%
Total net position	<u>\$ 1,708,622</u>	<u>\$ 1,554,257</u>	<u>\$ 154,365</u>	10%

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Change in Net Position

The School's change in net position was approximately \$154,000 for the year ended June 30, 2018. 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 550.62 full time equivalent students (FTE) in 2018, compared with 545.48 FTE in 2017.

Program revenues increased 11% due to both increased participation and a general rate increase in the Before and After Care Center. The Center last raised rates in 2009. In addition, the VPK center had one additional child for most of the year. Other Government Funding increased due to the addition of 5.14 additional children and an increase in State provided Bonuses for Highly Effective and Effective teachers of approximately \$31,000. Investment earnings, including a \$12,600 non-cash loss adjusting to market value at year end, 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, comprised primarily of donations, school field trips and class directed fundraising, mainly reflect the higher costs of Field trips and several fundraising projects. Such projects include the School Garden Project, the Drama Set project and funds raised to assist with security issues at the school. The fence installed around the back field in this year was funded from these monies.

Summary of Changes in Net Position

	<u>Governmental Activities</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2018</u>	<u>2017</u>		
Revenues				
Program revenues				
Charges for services	\$ 248,389	\$ 223,683	\$ 24,706	11%
General revenues				
Other government funding not restricted to specific programs	4,038,007	3,963,265	74,742	2%
Investment earnings	16,436	(285)	16,721	-5867%
Other income	213,913	183,027	30,886	17%
Total revenues	<u>4,516,745</u>	<u>4,369,690</u>	<u>147,055</u>	3%
Expenses				
Instruction	2,853,656	2,697,419	156,237	6%
Instructional support	70,244	66,724	3,520	5%
Instructional media services	71,303	66,798	4,505	7%
Instructional staff training	21,165	21,675	(510)	-2%
Instruction related technology	64,230	72,877	(8,647)	-12%
School administration	438,431	470,548	(32,117)	-7%
Fiscal services	23,238	22,950	288	1%
Pupil transportation	108,000	99,713	8,287	8%
Operation of plant	318,696	328,060	(9,364)	-3%
Maintenance of plant	17,597	14,611	2,986	20%
Interest on long-term debt	375,820	382,247	(6,427)	-2%
Total expenses	<u>4,362,380</u>	<u>4,243,622</u>	<u>118,758</u>	3%
Change in net position	<u>\$ 154,365</u>	<u>\$ 126,068</u>	<u>\$ 28,297</u>	22%

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Change in Net Position (continued)

The cost of the program was approximately \$4.4 million, of which 73% was personnel cost. Instructional Costs increased significantly over the prior year mainly due to increased wages and bonuses for the teachers. State driven bonuses for effective and highly effective teachers increased \$31,000. In addition to the normal contracted increase in wages, the School also gave the teachers a parity increase, adjusting to a minimum percentage of what they would earn working at the County schools, based on their years at Sculptor. These factors are responsible for approximately \$144,000 of the variance to the prior year in Instructional Costs. Media is over the prior year due to costs associated with a new library software program. Administration is lower than the prior year because of \$35,000 of costs incurred on a failed refinance attempt in 16/17. IT Technology is under the prior year by \$8600 because the IT assistant position was not needed in the current year.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

At June 30, 2018, the School's governmental funds reported a combined fund balance of approximately \$2.8 million, an increase from last year's balance of \$2.6 million.

The excess of revenues over expenditures in the General Fund was approximately \$203,000 in 2018, compared to an excess of approximately \$46,000 in 2017. The increase over the prior year is mainly caused by capital asset purchases in 2016-2017, in the amount of \$184,000, to build the track around the back field, replace aging copy machines and HVAC units vs the \$27,000 in the current year to build a fence around the back field and to upgrade internal network connections. The cost in 2016-2017 of the failed bond refinance attempt also contributed \$35,000 to this variance.

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 2017-2018 fiscal year. The budget was amended in October 2017.

For the General Fund, after adjustment to the budgetary basis, actual revenues were approximately \$37,000 above the budgeted amounts. Government revenues were favorable by approximately \$36,000, mainly due to the receipt of a state dictated bonus to highly effective and effective teachers of \$28,400 over anticipated. Actual expenses were approximately \$16,000 above budget mainly due to a variety of factors, such as the bonus paid to Highly Effective and Effective teachers, in the amount of \$28,400, which was offset by the timing of receipt of anticipated instructional materials and furniture, savings in utilities, and board approved capital purchases.

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of fiscal year 2018, the School had invested approximately \$4.2 million in a broad range of capital assets. In the current year, the School, in the interest of the security and safety of the students and with the assistance of the PTO, placed a fence around the Back Field Exercise Track, built in the prior year. The School is in process of updating the internal School network, replacing all the switches in 2017-2018, with assistance from USAC E-rate Program.

	Capital Assets		
	Net of Accumulated Depreciation		
	Governmental Activities		% Change
	<u>2018</u>	<u>2017</u>	
Land	\$ 496,140	\$ 496,140	0%
Land improvements	90,461	98,578	-8%
Building	2,829,965	2,933,486	-4%
Building improvements	635,616	672,566	-5%
Equipment	134,609	143,739	-6%
Vehicle	-	-	0%
	<hr/>	<hr/>	
Total	<u>\$ 4,186,791</u>	<u>\$ 4,344,509</u>	-4%

Long-term Debt

At June 30, 2018, the School had \$5.2 million in long-term debt outstanding. \$5.165 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, 2018, approximately \$51,000 liability for compensated absences is included in long term liabilities.

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

CAPITAL ASSETS AND LONG-TERM DEBT (continued)

	Long Term Debt		
	Governmental Activities		%
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Notes payable	\$ 5,165,000	\$ 5,255,000	-2%
Compensated absences	50,545	45,235	12%
Total	<u>\$ 5,215,545</u>	<u>\$ 5,300,235</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 sixth 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 2017-2018 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. It is currently the only "A" rated school in the North Brevard area.

Student enrollment, which forms the basis for the most significant revenue source for the School, is 550.62 for the 2017-2018 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.

The School's recognition within the community continues to grow. The School will again join with the local Rotary Clubs to present the 9th annual Sculptor 5k/Chili Fest in February 2018. This running event continues to attract runners from all over the community and has one of the largest participation rates in the County for this type of race.

The local economy is healthy and continues to grow. The jobless rate in Titusville, currently at 3.9%, continues to decrease and is ranked as the 13th lowest unemployment rate in the state of Florida. In April, 2018, two areas in North Brevard were recommended by Governor Scott to be "Federal Opportunity Zones." This designation will allow for more businesses to be drawn to the North Brevard area, increasing future job opportunities. The Space Center continues to experience strong growth, with regular successful launches by SpaceX and NASA. In fact, SpaceX is planning a major expansion at Kennedy Space Center. Part of this planned expansion is to include a 32,000 square foot tower that would be 300 feet tall. Such tower would house a

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

SIGNIFICANT ECONOMIC FACTORS (continued)

launch and landing control center. New Tech companies continue to move to this area to exploit the wealth of knowledge and experience remaining from the retired Space Shuttle program. Last year, developers chose Titusville as a site for a new shopping mall after their careful research recognized the revitalization and expected growth in this area. The mall is now complete and houses major anchors such as Hobby Lobby, Bealls, Harley Davidson, and EPIC Theatres.

Along with growth in commerce and industry, Titusville continues to experience a growth in population. There are 3 major housing developments in various stages of development in this area. From a population of 44,971 in 2015 to 46,263 in 2017, this growth represents confidence that Titusville's economy will continue to strengthen.

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. A new charter school opened in Titusville for the 2017-2018 school year serving grade K-6 with great community support, partly because of Sculptor's excellent reputation. Sculptor's waiting list remains strong and demand is high for this type of school. The School anticipates that the new charter will assist in fully filling Sculptor's 7th and 8th grade and has a good working relationship with its management.

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, 2018

	<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	\$ 1,500,584	\$ -	\$ 1,500,584	\$ -	\$ 1,500,584
Investments	464,306	1,072,458	1,536,764	-	1,536,764
Due from School Board	8,174	8,207	16,381	-	16,381
Accounts receivable	19,207	-	19,207	-	19,207
Prepaid items	7,699	-	7,699	-	7,699
Land	-	-	-	496,140	496,140
Other capital assets, net of accumulated depreciation	-	-	-	3,690,651	3,690,651
TOTAL ASSETS	<u>\$ 1,999,970</u>	<u>\$ 1,080,665</u>	<u>\$ 3,080,635</u>	<u>4,186,791</u>	<u>7,267,426</u>
LIABILITIES					
Accounts payable	\$ 17,211	\$ -	\$ 17,211	-	17,211
Accrued liabilities	232,495	-	232,495	93,553	326,048
Long term liabilities					
Due within one year	-	-	-	97,495	97,495
Due in more than one year	-	-	-	5,118,050	5,118,050
TOTAL LIABILITIES	<u>249,706</u>	<u>-</u>	<u>249,706</u>	<u>5,309,098</u>	<u>5,558,804</u>
FUND BALANCES/NET POSITION					
Fund balances:					
Nonspendable	7,699	-	7,699	(7,699)	-
Restricted for:					
Debt service	-	1,080,665	1,080,665	(1,080,665)	-
Unassigned	1,742,565	-	1,742,565	(1,742,565)	-
Total fund balances	<u>1,750,264</u>	<u>1,080,665</u>	<u>2,830,929</u>		
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,999,970</u>	<u>\$ 1,080,665</u>	<u>\$ 3,080,635</u>		
Net position:					
Net investment in capital assets				157,575	157,575
Restricted for:					
Debt service				402,914	402,914
Unrestricted				1,148,133	1,148,133
TOTAL NET POSITION				<u>\$ 1,708,622</u>	<u>\$ 1,708,622</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, 2018

	<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	\$ 2,696,827	\$ -	\$ 2,696,827	\$ 156,829	\$ 2,853,656
Instructional support	67,417	-	67,417	2,827	70,244
Instructional media services	61,315	-	61,315	9,988	71,303
Instruction staff training	21,165	-	21,165	-	21,165
Instructional related technology	64,230	-	64,230	-	64,230
School administration	417,740	-	417,740	20,691	438,431
Fiscal services	23,238	-	23,238	-	23,238
Pupil transportation	108,000	-	108,000	-	108,000
Operation of plant	318,696	-	318,696	-	318,696
Maintenance of plant	17,597	-	17,597	-	17,597
Capital outlay	27,307	-	27,307	(27,307)	-
Debt service:					
Principal	-	90,000	90,000	(90,000)	-
Interest	-	377,463	377,463	(1,643)	375,820
TOTAL EXPENDITURES/EXPENSES	<u>3,823,532</u>	<u>467,463</u>	<u>4,290,995</u>	<u>71,385</u>	<u>4,362,380</u>
PROGRAM REVENUES:					
Charges for services	248,389	-	248,389	-	248,389
NET PROGRAM EXPENSE					<u>4,113,991</u>
GENERAL REVENUES					
Other government funding not restricted to specific programs	3,875,618	162,389	4,038,007	-	4,038,007
Investment earnings	7,547	8,889	16,436	-	16,436
Other income	213,913	-	213,913	-	213,913
Other financing sources (uses) Fund transfers	(318,878)	318,878	-	-	-
TOTAL GENERAL REVENUES AND OTHER FINANCING SOURCES	<u>3,778,200</u>	<u>490,156</u>	<u>4,268,356</u>	<u>-</u>	<u>4,268,356</u>
Excess (deficit) of revenues over expenditures and other financing sources	203,057	22,693	225,750	(225,750)	-
Change in net position				154,365	154,365
FUND BALANCES/NET POSITION					
Beginning of the year	1,547,207	1,057,972	2,605,179	(1,050,922)	1,554,257
End of the year	<u>\$ 1,750,264</u>	<u>\$ 1,080,665</u>	<u>\$ 2,830,929</u>	<u>\$ (1,122,307)</u>	<u>\$ 1,708,622</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, 2018**

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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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	5-10
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, 2018

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, 2018

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	\$ 2,830,929
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	4,186,791
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Note payable	(5,165,000)
Accrued interest payable	(93,553)
Compensated absences	(50,545)
Total net position	\$ 1,708,622

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

**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	\$ 225,750
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	27,307
Depreciation expense	(185,025)
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	90,000
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	1,643
Compensated absences	(5,310)
Change in net position of governmental activities	\$ 154,365

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, 2018

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, 2018, the school's carrying amount of deposits was \$1,500,584. The bank balances totaled \$985,067. Of these balances, approximately \$234,000 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, 2018, the School had \$464,306 in investments in governmental bonds, valued at fair value as Level 2. In addition, at year end the School held \$1,072,458 in money market funds (further discussed below) which are 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, 2018, the trustee held \$1,072,458 of reserve funds in mutual funds intended for governmental investors. These funds had Standard & Poor's ratings of AAAM, consistent with the indenture.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 have maturities of two to three 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 \$1,536,764, \$464,306 are covered by depository insurance provided through the Securities Investor Protection Corporation. The remaining \$1,072,458 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, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 496,140	\$ -	\$ -	\$ 496,140
Total capital assets, not being depreciated	496,140	-	-	496,140
Capital assets, being depreciated				
Building	3,733,364	-	-	3,733,364
Building improvements	1,130,965	-	-	1,130,965
Land improvements	124,227	4,800	-	129,027
Equipment	288,663	22,507	4,640	306,530
Vehicle	10,980	-	-	10,980
Total capital assets, being depreciated	5,288,199	27,307	4,640	5,310,866
Less accumulated depreciation	1,439,830	185,025	4,640	1,620,215
Total capital assets, being depreciated, net	3,848,369	(157,718)	-	3,690,651
Capital assets, net	<u>\$ 4,344,509</u>	<u>\$ (157,718)</u>	<u>\$ -</u>	<u>\$ 4,186,791</u>

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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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	\$ 151,518
Instructional support services	2,827
Instructional media services	9,988
School administration	20,692
	\$ 185,025

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, 2018, the outstanding balance of the Series 2008A note payable was \$4,470,000. The School was in compliance with its debt covenants at June 30, 2018.

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, 2018, the outstanding balance of the notes payable was \$695,000. The School was in compliance with its debt covenants at June 30, 2018.

BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Long-term debt (continued)

Pledged revenues, comprising all revenues of the School, approximately \$4.5 million in fiscal 2018, are significantly in excess of annual debt service requirements, approximately \$467,000 in fiscal 2018, 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>
2019	\$	95,000	\$ 370,782
2020		105,000	363,557
2021		110,000	355,788
2022		120,000	347,470
2023		125,000	338,619
2024-2028		795,000	1,535,821
2029-2033		1,145,000	1,188,097
2034-2038		1,655,000	685,308
2039-2042		1,015,000	65,795
Total		<u>\$ 5,165,000</u>	<u>\$ 5,251,237</u>

Accrued liabilities in the government-wide statement of net position includes approximately \$94,000 in accrued interest for a payment that will be due October 1, 2018.

Changes in long-term liabilities for the year ended June 30, 2018 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	\$ 5,255,000	\$ -	\$ 90,000	\$ 5,165,000	\$ 95,000
Compensated absences	45,235	5,310	-	50,545	2,495
Total long-term liabilities	<u>\$ 5,300,235</u>	<u>\$ 5,310</u>	<u>\$ 90,000</u>	<u>\$ 5,215,545</u>	<u>\$ 97,495</u>

**BREVARD INNOVATIVE CHARTER SCHOOLS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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	\$ 2,391,158
Safe Schools	12,040
ESE Guaranteed Allocation	193,209
Supplemental Academic Instruction	151,960
Reading Allocation	24,410
Transportation	68,372
Instructional Materials Allocation	38,230
Library Media Allocation	2,450
Discretionary Millage	201,488
Discretionary Compression	56,239
Discretionary Lottery	941
Digital Classroom Allocation	12,378
Class Size Reduction	613,462
Proration	249
Subtotal	<u>3,766,586</u>
Less : administrative fee	<u>(34,203)</u>
	3,732,383
Capital Outlay Award	100,013
Local Capital Improvement Funds	62,376
School Recognition	54,548
Teacher Classroom Supply Assistance	8,815
Title II	15,068
IDEA	6,404
Other State Revenue	58,400
Total, School Board of Brevard County	<u>4,038,007</u>
Other local sources	<u>478,738</u>
Total	<u><u>\$ 4,516,745</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 2018, the School used \$100,013 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. Additionally, during fiscal 2018, the School received \$62,376 of Local Capital Improvement Revenue. 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.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 2018, it received funding of \$4,038,007 directly from the School Board. At June 30, 2018, the School had a receivable of \$16,381 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 2018). During fiscal 2018, the School made contributions of \$39,738 to the plan for thirty-seven participating employees.

E. Subsequent events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through August 27, 2018, 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, 2018

	Budget		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
REVENUES					
Other government funding not restricted to specific programs	\$ 3,807,410	\$ 3,839,485	\$ 3,875,618	\$ -	\$ 3,875,618
Program	225,224	240,930	248,389	-	248,389
Investment earnings	3,200	22,000	7,547	-	7,547
Other	143,500	144,100	152,377	(1) (61,536)	213,913
TOTAL REVENUES	4,179,334	4,246,515	4,283,931	(61,536)	4,345,467
EXPENDITURES					
Current-education					
Instruction	2,631,448	2,678,271	2,696,827	-	2,696,827
Instructional support	70,662	70,859	67,417	-	67,417
Instructional media services	64,131	65,119	61,315	-	61,315
Instructional staff training	27,467	21,500	21,165	-	21,165
Instructional related technology	82,332	80,555	64,230	-	64,230
School administration	394,057	405,220	417,740	-	417,740
Fiscal services	23,550	23,550	23,238	-	23,238
Pupil transportation	110,000	108,000	108,000	-	108,000
Operation of plant	328,923	329,302	318,696	-	318,696
Maintenance of plant	30,100	25,100	44,904	(2) 27,307	17,597
Capital outlay	-	-	-	(2) (27,307)	27,307
TOTAL EXPENDITURES	3,762,670	3,807,476	3,823,532	-	3,823,532
Excess (deficit) of revenues over expenditures	416,664	439,039	460,399	(61,536)	521,935
OTHER FINANCING SOURCES (USES)					
Transfers out	(298,392)	(366,782)	(318,878)	-	(318,878)
TOTAL OTHER FINANCING SOURCES (USES)	(298,392)	(366,782)	(318,878)	-	(318,878)
Fund balances, beginning of the year	1,547,207	1,547,207	1,547,207	-	1,547,207
Fund balances, end of the year	<u>\$ 1,665,479</u>	<u>\$ 1,619,464</u>	<u>\$ 1,688,728</u>	<u>\$ (61,536)</u>	<u>\$ 1,750,264</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.

(61,536)

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

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\$ (61,536)

**ADDITIONAL ELEMENTS REQUIRED BY
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, 2018, 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 27, 2018.

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 27, 2018

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, 2018, and have issued my report thereon dated August 27, 2018.

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 27, 2018, 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 of the entity is Brevard Innovative Charter Schools, Inc.

Financial Condition

Section 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 27, 2018