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THEODORE R. AND THELMA A. GIBSON
CHARTER SCHOOL, INC.

Miami, Florida

Financial Statements And
Independent Auditors' Report

June 30, 2010

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THEODORE R. AND THELMA A. GIBSON CHARTER SCHOOL, INC.
450 SW 4th Street
Miami, Florida 33133

2009-2010

Board Of Directors

Edith Georgi Houlihan, Chair and President
Charles Gibson
Yvonne Grassie
Sondra Wallace

School Administration

Angel Chaisson, Principal



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Theodore R. and Thelma A. Gibson Charter School, Inc.
Miami, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Theodore R. and Thelma A. Gibson Charter School, Inc. (the "School"), a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2010, which collectively comprises the School's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Theodore R. and Thelma A. Gibson Charter School, Inc., as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2010, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 4 through 8 and 22 through 23, respectively, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

HLB Gravin, CP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2010

Management's Discussion and Analysis
Theodore R. and Thelma A. Gibson Charter School
June 30, 2010

The corporate officers of the Theodore R. and Thelma A. Gibson Charter School (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2010.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2010 by \$ 61,477 (net assets).
2. At year-end, the School had current assets on hand of \$ 150,256.
3. The net assets of the School increased by \$ 9,789 during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2010 are presented under GASB 34. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

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

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

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

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 15-21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a charter school’s financial position. In the case of the School, assets exceeded liabilities by \$ 61,477 at the close of the fiscal year. A summary of the School’s net assets as of June 30, 2010 and 2009 follows:

	2010	2009
Cash	\$ 85,522	\$ 15,970
Accounts receivable	2,861	13,725
Prepaid expenses	20,713	2,800
Due from other agencies	24,063	6,620
Deposits receivable	17,097	10,000
Capital Assets	159,297	10,540
Total Assets	<u>\$ 309,553</u>	<u>\$ 59,655</u>
Accounts Payable and Accrued Expenses	\$ 109,076	\$ 7,967
Long-term debt to management company	139,000	-
Total Liabilities	<u>\$ 248,076</u>	<u>\$ 7,967</u>
Invested in Capital Assets, net of related debt	\$ 20,297	\$ 10,540
Unrestricted	41,180	41,148
Total Net Assets	<u>\$ 61,477</u>	<u>\$ 51,688</u>

At the end of the fiscal year, the School is able to report positive balances in total net assets.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 23,207	\$ 35,096
Capital Outlays and Contributions	112,224	18,950
Lunch Program	112,369	13,039
General Revenues		
FTE nonspecific revenues	1,331,350	174,935
Other revenue	1,441	16,017
Total Revenues	<u>\$ 1,580,591</u>	<u>\$ 258,037</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 685,261	\$ 56,908
Instructional Staff Training	2,553	1,319
Board	9,350	6,250
School Administration	345,410	91,270
Facilities Acquisition and Construction	5,607	40
Fiscal Services	32,750	4,575
Food Services	97,801	11,515
Central Services	41,834	7,152
Operation of Plant	252,366	58,133
Maintenance of Plant	84,617	5,029
Community Services	13,253	-
Total Expenses	<u>\$ 1,570,802</u>	<u>\$ 242,191</u>
Increase (decrease) in Net Assets	9,789	15,846
Net Assets at Beginning of Year	<u>51,688</u>	<u>35,842</u>
Net Assets at End of Year	<u>\$ 61,477</u>	<u>\$ 51,688</u>

Theodore R. and Thelma A. Gibson Charter School's revenues and expenses increased by \$1,322,554 and \$1,328,611, respectively, as a result of increased student enrollment due to a new facility location for 2010. The net assets of the School increased by \$9,789 during the year.

Accomplishments

The 2009-2010 marked a year of great change and growth for the Theodore R. and Thelma A. Gibson Charter School (Gibson Charter School). The school opened this fall in its new, permanent location at North Downtown (Overtown) Miami, and welcomed 217 new students in grades K-8th to the school.

Located just a few blocks north from Theodore Gibson Park in Overtown Miami, the school was founded by Mrs. Thelma Gibson in honor of her late husband, civil rights activist Reverend Theodore Gibson, a visionary who worked hard to improve the quality of life for people in South Florida. The school's move to Overtown in August 2009, fulfilled its founder's dream to bring quality education to the children of that community.

This past year, the Gibson Charter School developed several meaningful partnerships, which greatly benefitted the students and will continue to do so for years to come. The partnerships included:

Barry University: The University provided teacher assistants for elementary and middle grades to lower class size, social worker interns, social worker instructors, free professional development to parents and teachers and college courses, at the Gibson school site, free of charge for parents and teachers.

Hands on Miami: The Gibson Charter School was the recipient of School Supply Kits that Hands on Miami donated for the students. Hands on Miami also offered to paint a mural of the school's mascot, "the bulldog".

Overtown Community Oversight Board: Meetings were held at the school to review the success and challenges of strategies put into place for Overtown, as well as set goals and objectives for 2010.

One Art: This partnership allowed the school to have extra teachers, tutors, and assistants through a South Florida Workforce Grant.

Although the Gibson Charter has been opened for several years, the 2009-2010 marks the school's new baseline, as the school now has a permanent home and more than 200 new students. At year-end, the Gibson Charter School had positive financial results.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Capital Assets

The School's investment in capital assets as of June 30, 2010 amounts to \$ 159,297 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment.

Governmental Funds

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

At the end of the fiscal year, the School's governmental fund reported a fund balance of \$41,180.

Governmental Fund Budget Analysis and Highlights

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Federal Sources	\$ -	\$ 20,000	\$ 23,207
Lunch Program	70,000	75,000	74,123
Capital Outlay	110,000	115,000	112,224
Charges for Services	36,000	37,000	38,246
General Revenues			
FTE nonspecific revenues	1,330,000	1,331,000	1,331,350
Other revenue	1,000	1,400	1,441
Total Revenues	<u>\$ 1,547,000</u>	<u>\$ 1,579,400</u>	<u>\$ 1,580,591</u>
EXPENSES			
Component Unit Activities:			
Instruction	670,000	672,000	\$ 671,811
Instructional Staff Training			
Services	2,500	2,600	2,553
Board	9,000	9,500	9,350
School Administration	344,000	345,500	345,195
Fiscal Services	32,750	32,750	32,750
Food Services	95,000	100,000	96,296
Central Services	42,000	42,000	41,834
Operation of Plant	250,000	255,500	252,323
Maintenance of Plant	80,000	80,000	79,926
Community Services	13,000	13,500	13,253
Total Current Expenses	<u>\$ 1,538,250</u>	<u>\$ 1,553,350</u>	<u>\$ 1,545,291</u>

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC, 6361 Sunset Drive, Miami, Florida 33155.

THEODORE R. AND THELMA A. GIBSON CHARTER SCHOOL, INC.

STATEMENT OF NET ASSETS

June 30, 2010

Assets

Current assets:

Cash	\$	85,522
Accounts receivable		2,861
Prepaid expenses		20,713
Due from other agencies		24,063
Deposits receivable		17,097
		<u>150,256</u>

Capital assets, depreciable		230,536
Less: accumulated depreciation		(71,239)
		<u>159,297</u>

Total Assets \$ 309,553

Liabilities and Net assets

Current liabilities:

Salaries and wages payable	\$	63,731
Accounts payable		45,345
		<u>109,076</u>

Long-term notes payable to management company		139,000
Total Liabilities		<u>248,076</u>

Net assets:

Invested in capital assets		20,297
Unrestricted		41,180
Total Net Assets		<u>61,477</u>

Total Liabilities and Net Assets \$ 309,553

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

THEODORE R. AND THELMA A. GIBSON CHARTER SCHOOL, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 685,261	\$ -	\$ 23,207	\$ -	\$ (662,054)
Instructional staff training services	2,553	-	-	-	(2,553)
Board	9,350	-	-	-	(9,350)
School administration	345,410	-	-	-	(345,410)
Facilities acquisition	5,607	-	-	-	(5,607)
Fiscal services	32,750	-	-	-	(32,750)
Food services	97,801	25,976	74,123	-	2,298
Central services	41,834	-	-	-	(41,834)
Operation of plant	252,366	-	-	112,224	(140,142)
Maintenance of plant	84,617	-	-	-	(84,617)
Community Services	13,253	12,270	-	-	(983)
Total governmental activities	1,570,802	38,246	97,330	112,224	(1,323,002)
General revenues:					
FTE nonspecific revenues					1,331,350
In-kind and other revenue					1,441
Change in net assets					9,789
Net assets, beginning					51,688
Net assets, ending					\$ 61,477

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

THEODORE R. AND THELMA A. GIBSON CHARTER SCHOOL, INC.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>Assets</u>			
Cash	\$ 85,522	\$ -	\$ 85,522
Due from funds	24,063	-	24,063
Due from other agencies	-	24,063	24,063
Accounts receivable	2,861	-	2,861
Prepaid expenses	20,713	-	20,713
Deposits	17,097	-	17,097
Total Assets	<u>\$ 150,256</u>	<u>\$ 24,063</u>	<u>\$ 174,319</u>
<u>Liabilities</u>			
Salaries and wages payable	\$ 63,731	\$ -	\$ 63,731
Due to funds	-	24,063	24,063
Accounts payable	45,345	-	45,345
Total Liabilities	<u>109,076</u>	<u>24,063</u>	<u>133,139</u>
<u>Fund balance</u>			
Unreserved	41,180	-	41,180
	<u>41,180</u>	<u>-</u>	<u>41,180</u>
Total Liabilities and Fund Balance	<u>\$ 150,256</u>	<u>\$ 24,063</u>	<u>\$ 174,319</u>

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

THEODORE R. AND THELMA A. GIBSON CHARTER SCHOOL, INC.

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

Total Fund Balance - Governmental Funds \$ 41,180

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

Capital assets of \$56,268 net of accumulated depreciation of \$45,728 used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 159,297

The proceeds from debt issuance provides current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of net assets. (139,000)

Total Net Assets - Governmental Activities \$ 61,477

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

THEODORE R. AND THELMA A. GIBSON CHARTER SCHOOL, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State passed through local	\$ 1,331,350	\$ -	\$ 1,331,350
State capital outlay funding	-	112,224	112,224
Federal sources	-	23,207	23,207
Federal lunch program	-	74,123	74,123
Charges for services	12,270	25,976	38,246
Other revenue	1,441	-	1,441
Total Revenues	<u>1,345,061</u>	<u>235,530</u>	<u>1,580,591</u>
Expenditures:			
Current			
Instruction	671,811	-	671,811
Instructional staff training services	2,553	-	2,553
Board	9,350	-	9,350
School administration	345,195	-	345,195
Fiscal services	32,750	-	32,750
Food services	-	96,296	96,296
Central services	41,834	-	41,834
Operation of plant	140,099	112,224	252,323
Maintenance of plant	79,926	-	79,926
Community services	13,253	-	13,253
Capital Outlay:			
Other capital outlay	159,217	15,051	174,268
Total Expenditures	<u>1,495,988</u>	<u>223,571</u>	<u>1,719,559</u>
Excess of revenues over expenditures	(150,927)	11,959	(138,968)
Other financing sources			
Transfers in and (out)	150,959	(11,959)	139,000
Net change in fund balance	32	-	32
Fund Balance at beginning of year	<u>41,148</u>	<u>-</u>	<u>41,148</u>
Fund Balance at end of year	<u>\$ 41,180</u>	<u>\$ -</u>	<u>\$ 41,180</u>

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

THEODORE R. AND THELMA A. GIBSON CHARTER SCHOOL, INC.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net Change in Fund Balance - Governmental Funds \$ 32

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense until fully depreciated. When capital assets are disposed or become impaired, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. This is the amount by which capital outlays of \$174,268 differed from depreciation expense of \$25,511.

148,757

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

(139,000)

Change in Net Assets of Governmental Activities

\$ 9,789

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

Note 1 – Organization and Operations

Theodore R. and Thelma A. Gibson Charter School, Inc. (the "School"), is a not-for-profit corporation organized in the State of Florida. The School operates under a charter granted by the sponsoring district, the District School Board of Miami-Dade County (the "District"). The current charter expires on June 30, 2012 and is renewable for an additional 15 years by a mutual written agreement between the School and the District. During the term of the charter, the District may terminate the charter if good cause is shown. The School is considered a component unit of such District. The School is located in Miami, Florida for students from kindergarten through eighth and is funded by the District.

These financial statements are for the year ended June 30, 2010, when approximately 217 students were enrolled for the school year.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

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

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

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from non-exchange transactions are reported according to Governmental Accounting Standards Board (GASB) Statement No. 33 Accounting and Financial Reporting for Non-Exchange Transactions, as amended by GASB Statement No. 36 Recipient Reporting for Certain Shared Non-Exchange Revenues, they include grants and donations. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Note 2 – Summary of Significant Accounting Policies (continued)

Cash

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

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net assets in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Improvements	10-15 Years
Furniture, Equipment	5 Years
Textbooks	3 Years

Revenue Sources

Revenues for operations will be received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the 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.

Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies.

Note 2 – Summary of Significant Accounting Policies (continued)

For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a “benefit year”). In the event that available time is not used by the end of the benefit year, employees may “rollover” all unused days for use in future benefit years. There is an opportunity to “cash out” unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

Government Accounting Standards Board (GASB) Statement 16, Accounting for Compensated Absences, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for sick days available to be used in future benefits years.

The School also provides certain days to be used for specific personal matter such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Income Taxes

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

Use of Estimates

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

Note 2 – Summary of Significant Accounting Policies (continued)

Subsequent Events

In accordance with GASB No. 56, the School has evaluated subsequent events and transactions for potential recognition or disclosure through August 30, 2010, which is the date the financial statements were available to be issued.

Note 3 –Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2010:

	Balance 07/01/09	Additions	Retirements	Balance 06/30/10
Capital Assets				
Improvements	\$ 795	\$ 48,084	\$ -	\$ 48,879
Furniture, equipment and textbooks	55,472	126,184	-	181,657
Total Capital Assets	<u>55,267</u>	<u>174,268</u>	-	<u>230,536</u>
Less Accumulated Depreciation				
Improvements	-	(4,928)	-	(4,928)
Furniture, equipment and textbooks	(45,727)	(20,584)	-	(66,311)
Total Accumulated Depreciation	<u>(45,727)</u>	<u>(25,511)</u>	-	<u>(71,239)</u>
Capital Assets, net	<u>\$ 10,540</u>	<u>\$ 148,757</u>	<u>\$ -</u>	<u>\$ 159,297</u>

Depreciation expense for the period ended June 30, 2010 was \$25,511 and is allocated in the Statement of Activities to instruction and facilities acquisition expense.

Note 4 –Management Agreement

Academica Dade, LLC, a professional charter school management company, provides management and administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting. The agreement between the School and Academica Corporation calls for a fee of \$450 per full time equivalent (FTE) student per year. The agreement is for a period of five years, through June 30, 2013, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2010, the School incurred approximately \$97,650, in management fees of which \$34,800 was included in accounts payable.

Note 4 –Management Agreement

Academica Dade, LLC is located at 6361 Sunset Drive, Miami, Florida 33155 and its officers are:

Fernando Zulueta, President
Ignacio Zulueta, Vice President
Magdalena Fresen, Vice President and Treasurer
Collette Papa, Secretary

During the year, the School entered into two line of credit promissory notes with the Academica Dade, LLC totaling \$139,000 bearing no interest and payable in three years. The balance due Academica Dade, LLC is secured by the School's fixed assets.

Note 5 – Commitments and Contingencies

During the year the School entered into a lease agreement with the Archdiocese of Miami, Inc. for its new facility effective fiscal year ending June 30, 2010. Fixed initial annual payments under this agreement are \$150,000 adjusted annually based on the Consumer Price Index (CPI) plus \$700 per student, per year for every student in excess of an enrollment of 214 students at the facility. Additional property costs include repairs, maintenance and insurance. The agreement continues through August 15, 2015 with one automatic renewal for two years unless terminated as provided by in the agreement.

For 2010, rent expense totaled \$136,997, of which approximately \$131,000 pertained to the facility lease. Future minimum payments for the full lease are as follows:

<u>Year</u>	
2011	\$182,670
2012	\$182,670
2013	\$182,670
2014	\$182,670
2015	\$182,670

The School received substantially all of its revenues from Federal and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies.

Note 6 – Deposits Policy and Credit Risk

It is the School's policy to maintain its cash and cash equivalents in major banks and in high grade investments. As of June 30, 2010, the carrying amount of the School's deposits was \$85,522 and the respective bank balances totaled \$128,876, which was subject to coverage under the Federal Depository Insurance Corporation (FDIC).

Note 7 – Risk Management

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

Note 8 – Defined Contribution Retirement Plan

The School's personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School provides a match of 50% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$1,796 for the year ended June 30, 2010. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by MassMutual Financial Group.

REQUIRED SUPPLEMENTARY INFORMATION

THEODORE R. AND THELMA A. GIBSON CHARTER SCHOOL, INC.

Statement of Revenues, Expenditures, and Changes in Fund Balance
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 1,330,000	\$ 1,331,000	\$ 1,331,350
Charges for services	11,000	12,000	12,270
Other revenue	1,000	1,400	1,441
Total Revenues	<u>1,342,000</u>	<u>1,344,400</u>	<u>1,345,061</u>
EXPENDITURES			
Current:			
Instruction	670,000	672,000	671,811
Instructional Staff Training Services	2,500	2,600	2,553
Board	9,000	9,500	9,350
School Administration	344,000	345,500	345,195
Fiscal Services	32,750	32,750	32,750
Central Services	42,000	42,000	41,834
Operation of Plant	140,000	140,500	140,099
Maintenance of Plant	80,000	80,000	79,926
Community services	13,000	13,500	13,253
Total Current Expenditures	<u>1,333,250</u>	<u>1,338,350</u>	<u>1,336,771</u>
Excess of Revenues Over Current Expenditures	<u>8,750</u>	<u>6,050</u>	<u>8,290</u>
Debt Service:			
Redemption of Principal			
Capital Outlay:			
Other Capital Outlay	160,000	160,000	159,217
	<u>160,000</u>	<u>160,000</u>	<u>159,217</u>
Total Expenditures	<u>1,493,250</u>	<u>1,498,350</u>	<u>1,495,988</u>
Excess of Revenues Over Expenditures	<u>(151,250)</u>	<u>(153,950)</u>	<u>(150,927)</u>
Other financing sources			
Transfers in and (out)	151,500	154,000	150,959
Net change in fund balance	<u>250</u>	<u>50</u>	<u>32</u>
Fund Balance at beginning of year	<u>41,148</u>	<u>41,148</u>	<u>41,148</u>
Fund Balance at end of year	<u>\$ 41,398</u>	<u>\$ 41,198</u>	<u>\$ 41,180</u>

THEODORE R. AND THELMA A. GIBSON CHARTER SCHOOL, INC.

Statement of Revenues, Expenditures, and Changes in Fund Balance
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	\$ -	\$ 20,000	\$ 23,207
State capital outlay funding	110,000	115,000	112,224
Federal lunch program	70,000	75,000	74,123
Charges for services	25,000	25,000	25,976
Total Revenues	<u>205,000</u>	<u>235,000</u>	<u>235,530</u>
EXPENDITURES			
Current:			
Instruction	-	-	-
Food Services	95,000	100,000	96,296
Operation of plant	110,000	115,000	112,224
Total Current Expenditures	<u>205,000</u>	<u>215,000</u>	<u>208,520</u>
Excess of Revenues Over Current Expenditures	<u>-</u>	<u>20,000</u>	<u>27,010</u>
Debt Service:			
Redemption of Principal	-	-	-
Capital Outlay:			
Other Capital Outlay	-	16,000	15,051
	<u>-</u>	<u>16,000</u>	<u>15,051</u>
Total Expenditures	<u>205,000</u>	<u>231,000</u>	<u>223,571</u>
Excess of Revenues Over Expenditures	-	4,000	11,959
Other financing sources			
Transfers in and (out)	-	(4,000)	(11,959)
Net change in fund balance	-	-	-
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Board of Directors of
Theodore R. and Thelma A. Gibson Charter School, Inc.
Miami, Florida

We have audited the financial statements of the governmental activities and each major fund of Theodore R. and Thelma A. Gibson Charter School, Inc. (the "School") as of, and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 30, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2010

MANAGEMENT LETTER

Board of Directors of
Theodore R. and Thelma A. Gibson Charter School, Inc.
Miami, Florida

We have audited the accompanying basic financial statements of Theodore R. and Thelma A. Gibson Charter School, Inc. as of and for the year ended June 30, 2010 and have issued our report thereon dated August 30, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosure in those reports, which are dated August 30, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report or schedule:

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

There were no findings and recommendations made in the preceding annual financial audit report.

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

Observation 1

We noted errors in the calculation of depreciation expense on capital assets purchased during the current year. The errors resulted from utilizing a depreciation report that was run on a basis that used different useful live than the useful live assigned to the assets.

Recommendation

It was determined that the depreciation expense was not materially misstated and therefore, no audit adjustment was proposed. However, management should ensure that the correct report is used to record future period depreciation expense.

3. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential.

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

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

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

5. Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school.

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

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

In connection with our audit, no such conditions were noted.

7. Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10)., Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

We have applied such procedures and no deteriorating financial condition has been noted.

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

HLB Gravin, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2010

Theodore R. and Thelma A. Gibson Charter School, Inc.

August 31, 2010

HLB Gravier, LLP
201 Alhambra Circle, Suite 901
Coral Gables, FL 33134

RE: MANAGEMENT'S RESPONSES TO AUDITOR'S RECOMMENDATION

The following is the response by the School's Board of Directors to your recommendations:

01 Recommendation –

It was determined that the depreciation expense was not materially misstated and therefore, no audit adjustment was proposed. However, management should ensure that the correct report is used to record future period depreciation expense.

Management Response -

Management will follow the auditor's recommendation and ensure that the correct report is used to record future period depreciation expense.

Sincerely,



Ana Maria Martinez

Authorized Signor for Theodore R. and Thelma A. Gibson Charter School, Inc.