

Integrated Science and Asian Culture Academy, Inc  
Miami, Florida

Financial Statements And  
Independent Auditors' Report

June 30, 2011

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Integrated Science and Asian Culture Academy, Inc  
5876 Southwest 68<sup>th</sup> Street  
Miami, Florida 33143

2010-2011

BOARD OF DIRECTORS

Dr. Hui Fang Huang “Angie” Su, Chair and President  
Dr. Jim Han  
Dr. Yan Yong  
Dr. Judith Stein  
Ms. Mary Kemp

SCHOOL ADMINISTRATION

Kim Guilarte, Principal

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Integrated Science and Asian Culture Academy, Inc.  
Miami, Florida

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

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

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Integrated Science and Asian Culture Academy, Inc. at June 30, 2011, and the respective changes in financial position for the year then ended.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2011, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 23 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*HLB Grant, LLP*

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 31, 2011

**Management's Discussion and Analysis**  
Integrated Science and Asian Culture Academy, Inc.  
June 30, 2011

The corporate officers of Integrated Science and Asian Culture Academy, Inc. have prepared this narrative overview and analysis of the school's financial activities for the period ended June 30, 2011.

**Financial Highlights**

1. The assets of the School exceeded its liabilities at June 30, 2011 by \$107,282 (net assets).
2. At year-end, the School had current assets on hand of \$115,873.
3. The School had an increase in its net assets of \$77,585 for the year ended June 30, 2011.
4. The unassigned fund balance at year end was \$22,405.

**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, 2011 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 required supplementary information in addition to the basic financial statements themselves.

*Government-Wide Financial Statements*

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

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

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

The government-wide financial statements can be found on pages 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 - 22 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 \$107,282 at the close of the fiscal year. A summary of the School’s net assets as of June 30, 2011 follows:

	2011	2010
Cash	\$ 106,488	\$ 25,033
Prepaid expenses	9,385	-
Capital Assets, net	72,538	4,664
Total Assets	<u>\$ 188,411</u>	<u>\$ 29,697</u>
Accounts payable and salaries payable	\$ 81,129	-
Due to other schools	-	-
Total Liabilities	<u>\$ 81,129</u>	<u>\$ -</u>
Invested in Capital Assets, net of related debt	\$ 72,538	\$ 4,664
Unrestricted	34,744	25,033
Total Net Assets	<u>\$ 107,282</u>	<u>\$ 29,697</u>

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

A summary and analysis of the School's revenues and expenses from inception through June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
<b>REVENUES</b>		
Program Revenues		
Federal Sources	\$ 113,130	\$ 23,902
Capital Outlay Funding	-	-
Lunch program	-	-
Charges for Services	-	-
General Revenues		
FTE nonspecific revenues	170,032	155,834
Other Revenue	24	179
Total Revenues	<u>\$ 283,186</u>	<u>\$ 179,915</u>
<b>EXPENSES</b>		
Component Unit Activities:		
Instruction	\$ 88,054	\$ 51,964
Instructional Staff Training Services	1,858	3,415
Board	17,122	13,946
School Administration	42,275	37,463
Facilities Acquisition	-	-
Fiscal Services	3,750	3,800
Food Services	-	304
Central Services	4,457	3,872
Operation of Plant	48,085	35,454
Maintenance of Plant	-	-
Total Expenses	<u>205,601</u>	<u>150,218</u>
Increase in Net Assets	77,585	29,697
Net Assets at Beginning of Year	29,697	-
Net Assets at End of Year	<u>\$ 107,282</u>	<u>\$ 29,697</u>

The School's revenues and expenses increased by \$103,271 and \$55,383, respectively, in the current year primarily due the continuation grant. The School had an increase in its net assets of \$77,585 for the year.

### **School Location and Lease of Facility**

The School leases a facility located at 5876 SW 68<sup>th</sup> Street.

### **Capital Improvement Requirements**

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

### **School Enrollment**

This past year, the School had approximately 25 students enrolled in kindergarten.



## **Achievements**

In 2011, the Integrated Science and Asian Culture (I.S.A.A.C.) Charter School completed its 2<sup>nd</sup> year of operations. I.S.A.A.C. opened in August 2010 to 25 students in Kindergarten as a "N.E.S.T.E.D" school within the Somerset Academy (South Miami) campus. The school's mission is to attain high academic achievement while promoting informed cultural attitudes and behaviors by developing bilingualism and biliteracy in our students.

ISAAC Academy focuses on providing students with the highest quality bilingual language education possible. In addition to the regular academic program, ISAAC Academy incorporates Chinese Immersion course of study and places special emphasis on Sciences and Mathematics instruction. Through the curricular emphasis on Science, Mathematics and the exposure of the Mandarin Chinese language, students are expected to receive a world-class education and an excellent preparation for an advanced level high school curriculum. The school also features the latest classroom technology, including Promethean Boards and laptop computers.

This past year, I.S.A.A.C. students participated in various community service projects and fundraisers including the iPad for Soldiers Drive, the Scholastic Book Fair Event- "Reading Under the Stars", the South Miami Community Center Thanksgiving Drive, the "Say No to Drugs" door contest, and the Miami Children's Hospital Volunteer Program. Students also participated in district-wide events such as the Science Fair and Career Day, as well as school-based productions, including the Chinese New Year Celebration, Hispanic Heritage Week, "Holidays Around the World" holiday show, and the Vocabulary Parade.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND**

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

### **Governmental Funds**

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

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

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$34,744. The fund balance unassigned and available for spending at the School's discretion is \$22,405. These funds will be available for the School's future ongoing operations.

## Capital Assets

The School's investment in capital assets as of June 30, 2011 amounts to \$72,538 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment. As of June 30, 2011, the School had no long term debt relating to capital assets.

## Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for total governmental funds (both general fund and special revenue funds) to demonstrate compliance with the School's budget.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>REVENUES</b>			
Program Revenues			
Capital Outlay	\$ -	\$ -	\$ -
Federal Sources	100,000	110,000	113,130
General Revenues			
FTE Nonspecific Revenues	160,000	170,000	170,032
Charges for Services	-	-	-
Other Revenues	-	-	24
Total Revenues	<u>\$ 260,000</u>	<u>\$ 280,000</u>	<u>\$ 283,186</u>
<b>EXPENDITURES</b>			
Component Unit Activities:			
Instruction	75,000	78,000	76,544
Instructional staff training	2,000	2,000	1,858
Board	17,000	17,500	17,122
School Administration	40,000	42,500	42,275
Fiscal Services	4,000	4,000	3,750
Food Services	-	-	-
Central Services	4,000	4,500	4,457
Operation of Plant	48,000	48,250	48,085
Community Services	-	-	-
Maintenance of Plant	-	-	-
Total Current Expenditures (before capital outlay and debt service)	<u>\$ 190,000</u>	<u>\$ 196,750</u>	<u>\$ 194,091</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, 6340 Sunset Drive, Miami, Florida 33143.

Integrated Science and Asian Culture Academy, Inc.  
Statement of Net Assets  
June 30, 2011

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**Assets**

Current assets:

Cash	\$	106,488
Prepays		9,385
		<u>115,873</u>

Capital assets, depreciable		84,981
Less: accumulated depreciation		(12,443)
		<u>72,538</u>

Total Assets \$ 188,411

**Liabilities and Net assets**

Current liabilities:

Accounts payable	\$	81,129
Total Liabilities		<u>81,129</u>

Net assets:

Invested in capital assets		72,538
Unrestricted		34,744
Total Net Assets		<u>107,282</u>

Total Liabilities and Net Assets \$ 188,411

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

Integrated Science and Asian Culture Academy, Inc.  
Statement of Activities  
For the year ended June 30, 2011

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 88,054	\$ -	\$ 113,130	\$ -	\$ 25,076
Instructional media services	-	-	-	-	-
Instructional staff training	1,858	-	-	-	(1,858)
Board	17,122	-	-	-	(17,122)
School administration	42,275	-	-	-	(42,275)
Facilities acquisition	-	-	-	-	-
Fiscal services	3,750	-	-	-	(3,750)
Food services	-	-	-	-	-
Central services	4,457	-	-	-	(4,457)
Operation of plant	48,085	-	-	-	(48,085)
Maintenance of plant	-	-	-	-	-
Community Services	-	-	-	-	-
<b>Total governmental activities</b>	<b>205,601</b>	<b>-</b>	<b>113,130</b>	<b>-</b>	<b>(92,471)</b>
General revenues:					
FTE nonspecific revenues					170,032
Interest, fundraising and other revenue					24
Change in net assets					77,585
Net assets, beginning					29,697
Net assets, ending					<u>\$ 107,282</u>

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

Integrated Science and Asian Culture Academy, Inc.  
 Balance Sheet - Governmental Funds  
 June 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
<b><u>Assets</u></b>			
Cash	\$ 103,534	\$ 2,954	\$ 106,488
Prepays	-	9,385	9,385
Total Assets	<u>\$ 103,534</u>	<u>\$ 12,339</u>	<u>\$ 115,873</u>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 81,129	\$ -	\$ 81,129
Total Liabilities	<u>81,129</u>	<u>-</u>	<u>81,129</u>
<b><u>Fund balance</u></b>			
Restricted	-	12,339	12,339
Unassigned	22,405	-	22,405
	<u>22,405</u>	<u>12,339</u>	<u>34,744</u>
Total Liabilities and Fund Balance	<u>\$ 103,534</u>	<u>\$ 12,339</u>	<u>\$ 115,873</u>

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

Integrated Science and Asian Culture Academy, Inc.

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets

For the year ended June 30, 2011

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Total Fund Balance - Governmental Funds \$ 34,744

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

Capital assets of \$84,981 net of accumulated depreciation of \$12,443 used in governmental activities are not financial resources and therefore are not reported in the fund.

72,538

Total Net Assets - Governmental Activities

\$ 107,282

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

Integrated Science and Asian Culture Academy, Inc.  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues:</b>			
State passed through local	\$ 170,032	\$ -	\$ 170,032
Federal sources	-	113,130	113,130
Interest and other revenue	24	-	24
<b>Total Revenues</b>	<b>170,056</b>	<b>113,130</b>	<b>283,186</b>
<b>Expenditures:</b>			
<b>Current</b>			
Instruction	55,137	21,407	76,544
Instructional staff training services	1,858	-	1,858
Board	17,122	-	17,122
School administration	42,275	-	42,275
Fiscal services	3,750	-	3,750
Food services	-	-	-
Central services	4,457	-	4,457
Operation of plant	48,085	-	48,085
Maintenance of plant	-	-	-
Community services	-	-	-
<b>Capital Outlay:</b>			
Other capital outlay	-	79,384	79,384
<b>Debt Service:</b>			
Redemption of Principal	-	-	-
Interest	-	-	-
<b>Total Expenditures</b>	<b>172,684</b>	<b>100,791</b>	<b>273,475</b>
Excess (deficit) of revenues over expenditures	(2,628)	12,339	9,711
<b>Other financing sources</b>			
Transfers in and (out)	-	-	-
Net change in fund balance	(2,628)	12,339	9,711
Fund Balance at beginning of year	25,033	-	25,033
Fund Balance at end of year	\$ 22,405	\$ 12,339	\$ 34,744

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

Integrated Science and Asian Culture Academy, Inc.  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities  
For the year ended June 30, 2011

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Net Change in Fund Balance - Governmental Funds \$ 9,711

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. This is the amount by which capital outlays of \$79,384 differed from depreciation expense of \$11,510.

67,874

Change in Net Assets of Governmental Activities

\$ 77,585

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



### **Note 1 – Organization and Operations**

Integrated Science and Asian Culture Academy, 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 Dade County (the "District"). The current charter expires on June 30, 2018 and is renewable for an additional 15 years by 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 in kindergarten through eighth grade and is funded by the District.

These financial statements are for the year ended ended June 30, 2011, when approximately 25 students were enrolled for the school year.

### **Note 2 – Summary of Significant Accounting Policies**

#### Basis of presentation

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

#### Government-wide and Fund Financial Statements

##### *Government-wide Financial Statements*

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

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

**Note 2 – Summary of Significant Accounting Policies (continued)**

*Fund Financial Statements*

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

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

*Special Revenue Fund* - accounts for specific revenue, such as federal grants and capital outlay funding 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) *Codification of Accounting and Financial Reporting Guidance*.

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from non-exchange transactions are reported according to GASB Codification Section 1600.111 and Section N50 *Accounting and Financial Reporting for Non-Exchange Transactions*. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

**Note 2 – Summary of Significant Accounting Policies (continued)**

Cash

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

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
Software and Textbooks	3 Years
Furniture and Equipment	5 Years

Revenue Sources

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

**Note 2 – Summary of Significant Accounting Policies (continued)**

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

Compensated Absences

The School had no accrual for compensated absences since all payroll costs were incurred through a usage fee to Somerset South Miami Elementary School.

Income Taxes

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

Use of Estimates

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

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through August 31, 2011, which is the date the financial statements were available to be issued.

## **Note 2 – Summary of Significant Accounting Policies (continued)**

### Net assets and Fund balance classifications

#### *Government-wide financial statements*

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

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

#### *Fund financial statements*

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

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

**Note 2 – Summary of Significant Accounting Policies (continued)**

Order of Fund Balance Spending Policy

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

**Note 3 –Capital Assets**

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

	Balance 7/1/10	Additions	Retirements	Balance 6/30/11
Capital Assets				
Furniture, equipment and textbooks	\$ 5,597	\$ 79,384	\$ -	\$ 84,981
Total Capital Assets	<u>5,597</u>	<u>79,384</u>	<u>-</u>	<u>84,981</u>
Less Accumulated Depreciation:				
Furniture, equipment and textbooks	(933)	(11,510)	-	(12,443)
Total Accumulated Depreciation	<u>(933)</u>	<u>(11,510)</u>	<u>-</u>	<u>(12,443)</u>
Capital Assets, net	<u>\$ 4,664</u>	<u>\$ 67,874</u>	<u>\$ -</u>	<u>\$ 72,538</u>

For the fiscal year ended June 30, 2011, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$ 11,510
School administration	-
Facilities acquisition	-
Food services	-
Operation of plant	-
Maintenance of plant	-
Total Depreciation Expense	<u>\$ 11,510</u>

#### **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 the management company 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, 2014, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2011, the School incurred approximately \$11,250, in management fees. Academica Dade, LLC is located at 6340 Sunset Drive, Miami, Florida 33143 and its officers are:

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

#### **Note 5 –Related Party Transactions**

The school has entered into a facility usage agreement with Somerset South Miami Elementary School. The School will pay Somerset South Miami Elementary School a flat monthly fee based on a monthly student cost allocation ratio. As of June 30, 2011, total payments charged to the School under this agreement were approximately \$111,000. Lunch for the School's students is provided by another school. No costs are allocated to the School for the lunch program.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2011, administrative fees withheld by the School District totaled \$8,422.

#### **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, 2011, the carrying amount of the School's deposits was \$106,488 and the respective bank balances totaled \$127,738.

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

**Note 7 – Commitments and Contingencies**

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

**Note 8 – 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 9 – Defined Contribution Retirement Plan**

The school had no post-retirement benefits to its employees since all payroll cost were incurred through a usage fee paid to Somerset South Miami Elementary School.



REQUIRED SUPPLEMENTARY INFORMATION

Integrated Science and Asian Culture Academy, Inc.  
Statement of Revenues, Expenditures, and Changes in Fund Balance - General fund  
For the year ended June 30, 2011

	General Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State passed through local	\$ 160,000	\$ 170,000	\$ 170,032
Interest and other revenues	-	-	24
<b>Total Revenues</b>	<b>160,000</b>	<b>170,000</b>	<b>170,056</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Instruction	70,000	73,000	55,137
Instructional Staff			
Training Services	2,000	2,000	1,858
Board	17,000	17,500	17,122
School administration	40,000	42,500	42,275
Fiscal services	4,000	4,000	3,750
Food services			-
Central services	4,000	4,500	4,457
Operation of plant	48,000	48,250	48,085
Maintenance of plant			-
Community services	-	-	-
<b>Total current expenditures</b>	<b>185,000</b>	<b>191,750</b>	<b>172,684</b>
Excess of revenues			
Over current expenditures	(25,000)	(21,750)	(2,628)
<b>Debt service:</b>			
Redemption of principal	-	-	-
<b>Capital outlay:</b>			
Other capital outlay			-
<b>Total expenditures</b>	<b>185,000</b>	<b>191,750</b>	<b>172,684</b>
Excess of revenues over expenditures	(25,000)	(21,750)	(2,628)
<b>Other financing sources</b>			
Transfers in	-	-	-
Net change in fund balance	(25,000)	(21,750)	(2,628)
Fund balance at beginning of year	25,033	25,033	25,033
Fund balance at end of year	\$ 33	\$ 3,283	\$ 22,405

Integrated Science and Asian Culture Academy, Inc.  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Special Revenue Fund  
For the year ended June 30, 2011

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State capital outlay funding			\$ -
Federal sources	100,000	110,000	113,130
<b>Total Revenues</b>	<b>100,000</b>	<b>110,000</b>	<b>113,130</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Instruction	5,000	5,000	21,407
Board	-	-	-
School administration	-	-	-
Fiscal services	-	-	-
Food services	-	-	-
Central services	-	-	-
Operation of plant	-	-	-
Maintenance of plant	-	-	-
<b>Total current expenditures</b>	<b>5,000</b>	<b>5,000</b>	<b>21,407</b>
Excess of revenues Over current expenditures	95,000	105,000	91,723
<b>Capital outlay:</b>			
Other capital outlay	-	-	79,384
<b>Total capital outlay and Debt service expenditures</b>	<b>-</b>	<b>-</b>	<b>79,384</b>
<b>Total expenditures</b>	<b>5,000</b>	<b>5,000</b>	<b>100,791</b>
<b>Excess of revenues over expenditures</b>	<b>95,000</b>	<b>105,000</b>	<b>12,339</b>
<b>Other financing sources</b>			
Transfers out	-	-	-
<b>Net change in fund balance</b>	<b>95,000</b>	<b>105,000</b>	<b>12,339</b>
<b>Fund balance at beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ 95,000</b>	<b>\$ 105,000</b>	<b>\$ 12,339</b>

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  
Integrated Science and Asian Culture Academy, Inc.  
Miami, Florida

We have audited the financial statements of the governmental activities and each major fund of Integrated Science and Asian Culture Academy (the "School") as of, and for the year ended June 30, 2011, and have issued our report thereon dated August 31, 2011. 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.

Internal Control Over Financial Reporting

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

*A 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 School's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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.

*HLB Shuman, LLP*

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 31, 2011

MANAGEMENT LETTER

Board of Directors of  
Integrated Science and Asian Culture Academy, Inc.  
Miami, Florida

We have audited the financial statements of the governmental activities and each major fund of Integrated Science and Asian Culture Academy as of and for the year ended June 30, 2011 and have issued our report thereon dated August 31, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosure in those reports, which are dated August 31, 2011, should be considered in conjunction with this management letter.

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

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

There were no findings and recommendation in the preceding 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.

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

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

In connection with our audit, we did not find 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 provisions of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred, or are likely to have occurred, and (2) deficiencies in internal control that are not significant deficiencies.

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

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

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

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

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 31, 2011