



academy of arts & minds

ACTING FOR ALL INC.

3138 COMMODORE PLAZA MIAMI, FLORIDA 33133

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August 31, 2012

VIA HAND DELIVERY.

Jose Montes de Oca

Chief Auditor

Miami-Dade County Public Schools

1450 N.E. 2nd. Avenue

Suite 415

Miami, Florida 33132

Re: Recommendations by the Office of Management and Compliance Audits as a result of Report of the Chief Auditor's Investigation into Allegations Concerning the Academy of Arts & Minds Charter High School.

Dear Mr. Montes de Oca:

This responds to your letter of August 15, 2012 requesting a status report on the recommendations made in your Report of Investigation into Allegations Concerning the Academy of Arts & Minds Charter High School, (the "Report"), presented to the Audit and Budget Advisory Committee, (ABAC), on June 26, 2012. The Academy has been very pleased that after a very thorough investigation, over the course of seven months, your office found that the Academy did nothing illegal or unethical while providing high school students with the best education available in Miami-Dade County.

We provide you hereafter with a status of the actions taken by the Academy's governing board to date in connection with your recommendations.

Recommendation Number 1

You recommended that the Governing Board and Management Company of the Academy of Arts & Minds work with the Miami-Dade County Public Schools in consultation with other oversight agencies such as the Florida Department of Education and the Internal Revenue Service to eliminate the structural conflicts of interests identified.

This Recommendation was mainly directed to the Academy's Federal 501(c)(3) status, which has been the central point of your Report.

There is no state statutory requirement in Florida requiring that the Academy, or any other charter school, maintain a federal 501(c)(3) status in order to legally function as a charter school in Miami-Dade County Florida. This has been confirmed by the Academy's independent legal counsel and was also confirmed by the School District's attorney at the June 26, 2012 ABAC meeting.

There is no federal statutory requirement requiring that the Academy, or any other charter school, maintain a federal 501(c)(3) status in order to legally function as a charter school in the State of Florida.

There is no Miami-Dade County School District policy requiring that the Academy, or any other charter school, maintain a federal 501(c)(3) status in order to legally function as a charter school in Miami-Dade County Florida.

The Charter Contract between the Academy and the School District does not require that the Academy maintain federal 501(c)(3) status in order to legally function as a charter school in Miami-Dade County Florida.

This should not be interpreted to mean that the Academy does not value its federally exempt status under Section 501(c)(3) of the Internal Revenue Code. It does and given your Report, the Academy has taken extra steps to assure that in the future, the Academy takes measures specifically designed to avoid the possibility of any action that would be considered an illegal or unethical conflict that would threaten or jeopardize the Academy's 501(c)(3) status.

As noted in the Academy's Response section of the Report and by you, the Academy disagrees with your opinions and strongly believes that there are no structural conflicts within its organization that would threaten or jeopardize the Academy's 501(c)(3) status.

In an abundance of caution the Academy's governing board has engaged the services of an independent lawyer to review items coming before the governing board that may present conflict of interest situations that could lead to the Academy's loss of its federal 501(c)(3) exempt status. If any conflict of interest situations arise the board attorney will guide the governing board on how to transparently and legally disclose the conflict and address it in a way that complies with existing laws, rules and regulations.

Recommendation Number 2

You recommended that the Governing Board of the Academy of Arts & Minds Charter High School revisit the terms of its major contracts and analyze expenses in order to strive to achieve a self-sufficient operation.

The Academy's governing board has engaged independent counsel to review its major contracts and where warranted to renegotiate their terms. It should be noted however that the

terms of the Academy's major contracts are significantly favorable to the Academy. The governing board will also continue to maintain its goal to have the Academy achieve self-sufficient operation and take all measures available to that effect.

Recommendation Number 3

You recommended that an independent Governing Board of the Academy of Arts & Minds should renegotiate its lease as an arm's length transaction.

The Governing Board members of the Academy take great pride in their independence. The Charter Contract as approved by the Miami-Dade School District specifically mandated the Founders as organizers and initial members of the Academy's governing board to recruit additional members to voluntarily serve on the governing board. It would be irrational to think that the Founders would recruit people they did not know and to think that people who did not know the Founders would offer themselves to serve as volunteers of a board at a time when the organization was unknown and unproven. So the persons recruited to serve as volunteer members of the Academy's governing board would by default have had to be persons known to the Founders. As noted in the Academy's Response Section of the Report the Academy strongly disagrees with your conclusion that the members of the Academy's governing board are not independent because they have lengthy and well established relationships with the Founders.

As is readily known, it is very difficult to recruit good people to a volunteer governing board so the search for new board members by sitting members has always been ongoing. *Efforts were stepped up in May of 2011 before your investigation commenced.* Interested individuals sent letters to the board chair. The governing board reviewed and ranked the individuals who they felt were qualified to serve as board members and who would uphold the Academy's high standards of performance. This resulted in the governing board's recent appointment of three new members who the board believes offer excellent diversity. One is a parent of a student currently enrolled at the Academy. One is the parent of an alumni and one is a member of the community. The Academy's governing board will be discussing the rotation of its leadership positions at its September 2012 meeting.

The governing board has retained independent counsel to review its premises lease and negotiate with the landlord. The lease, as confirmed in the minutes of the governing board, has always been negotiated with full disclosure of Mr. Alonso-Poch's ownership and for terms very favorable to the Academy.

Recommendation Number 4

You recommended that an independent Governing Board of the Academy of Arts and Minds should renegotiate the Management Agreement, Food Service Contract and Benefits Consultant Arrangements.

The governing board has retained independent counsel to review the Academy's management agreement, food service contract and benefits consultant arrangements. The governing board's independent counsel has a goal of all contract review being completed in time

for the governing board's September meeting. He will advise the governing board accordingly at that time.

Recommendation Number 5

You recommended that the Governing Board and management of Academy of Arts and Minds put controls in place to ensure that the board is adequately informed of Federal, State and Charter School Tax exemptions.

The governing board has retained independent counsel to review the Academy's Federal, State and Charter School Tax exemptions. In addition, the board concurred at its August meeting to place on its agenda following the annual state legislative session an update on governmental tax exemptions and other pertinent issues applicable to the Academy.

Regarding the Ad-Valorem Tax Exemption included in your Report, the Academy's representative has met with representatives of the Property Appraiser's office. As a result the Property Appraiser acknowledged that the school is entitled to the partial exemption granted in 2005. The extent of the exemption is still being debated. The Academy believes that the original exemption granted by the Property Appraiser in 2005 will be confirmed as correct once evidence -additional to the evidence provided to the Property Appraiser when the Property Appraiser granted the exemption in 2005- is presented. In the meantime, the Academy has filed a petition with the Value Adjustment Board in case it becomes necessary to plead the case in that forum. The Academy is optimistic that once all the evidence establishing the extent of the exemption is presented to the Property Appraiser the matter will be resolved without having to resort to the VAB or the circuit court to prove the school's entitlement to the exemption.

Finally, we attach the Academy's annual independently audited financial statements for the 2011-2012 fiscal year which were just completed. Your Report reflected concern about the flow of FTE funds received by the Academy and Mr. Frank Attkisson mentioned to the Audit Committee the Academy's auditor would be tasked with reviewing your investigative report and, in addition to its annual duties, review any potential impropriety of the flow of funds to the Academy mentioned in your Report.

Over the course of the last eight years, the Academy's independently audited financial statements have shown that FTE funds received by the Academy from the State of Florida have been used for their intended purpose. The flow of FTE funds received by the Academy had never been questioned in the past until the Complaining Parents that prompted your investigation raised the issue without evidence to support it. It should be noted that this is the fifth consecutive year that the school audit shows no concerns or comments of any kind regarding the integrity of the financial and accounting measures in place at the Academy.

At the June 26, 2012 ABAC meeting Mr. Attkisson indicated that the Academy's independent auditors were in the process of completing their audit for the 2011-2012 fiscal year and that the Academy would return to the State any funds found by the independent auditors to have been misappropriated by the Academy. A review of the statements confirms Mr. Attkisson's statement that there is no concern of any impropriety relating to the flow of funds at

the school. The financial statements show that FTE funds received by the Academy have been properly allocated and applied. Accordingly no funds will be returned to the State.

Sincerely,

Academy of Arts & Minds Charter High School

A handwritten signature in black ink, appearing to read "R. Montaner", with a long horizontal flourish extending to the right.

Ruth C. Montaner
Governing Board Chairperson

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL
SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2012 AND 2011

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

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Jordan Castellon Ricardo P.L.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Academy of Arts and Minds Charter High School
Miami, Florida

We have audited the accompanying special purpose financial statements of Academy of Arts and Minds Charter High School (the "Academy") as of and for the fiscal years ended June 30, 2012 and 2011, as listed in the table of contents. These special purpose financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audits.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in Note 2 to the special purpose financial statements, the financial statements being presented are only for the Academy. The special purpose financial statements, disclosures, and account classifications are presented pursuant to the accounting regulations promulgated by Miami-Dade County Public Schools. The special purpose financial statements do not include the statements of financial position, activities, and cash flows of Acting for All, Inc. (a nonprofit organization). Accordingly, the accompanying special purpose financial statements are not intended to present the financial position of Acting for All, Inc. as of June 30, 2012 and 2011, or its results of operations and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with special purpose financial statements as required by the Miami-Dade County Public Schools.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2012, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of 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 audits.

August 30, 2012

Certified Public Accountants & Consultants
A Partnership of Professional Associations



ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

SPECIAL PURPOSE FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Cash	\$ 18,247	\$ 185,640
Accounts receivable:		
Due from Miami-Dade County School Board –		
State of Florida Capital Outlay Distribution	-	20,437
Contribution receivable	49,800	70,059
Security deposit	24,000	24,000
Net property and equipment	<u>65,027</u>	<u>37,587</u>
 TOTAL ASSETS	 <u>\$ 157,074</u>	 <u>\$ 337,723</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	<u>\$ 57,533</u>	<u>\$ 149,740</u>
 TOTAL LIABILITIES	 57,533	 149,740
 NET ASSETS		
Unrestricted	<u>99,541</u>	<u>187,983</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 157,074</u>	 <u>\$ 337,723</u>

The accompanying notes are an integral part of these special purpose financial statements.

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

SPECIAL PURPOSE FINANCIAL STATEMENTS
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CHANGES IN UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUES		
Governmental funding – Federal, State and Local	\$ 2,551,143	\$ 3,042,230
Other local sources	72,512	200,410
Contributions	866,523	412,156
TOTAL SUPPORT AND REVENUES	<u>3,490,178</u>	<u>3,654,796</u>
EXPENSES		
Instruction	1,385,367	1,486,220
Pupil personnel services	71,333	82,969
Instructional media service and curriculum development	1,105	113
Board	43,021	19,788
School administration	428,488	356,704
Fiscal services	19,328	17,969
Central services	93,209	76,970
Operation of plant	1,316,841	1,188,837
Food services	142,162	141,364
Depreciation and amortization	13,094	18,509
Student activities	64,672	181,108
TOTAL EXPENSES	<u>3,578,620</u>	<u>3,570,551</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(88,442)	84,245
NET ASSETS, BEGINNING OF YEAR	<u>187,983</u>	<u>103,738</u>
NET ASSETS, END OF YEAR	<u>\$ 99,541</u>	<u>\$ 187,983</u>

The accompanying notes are an integral part of these special purpose financial statements.

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

SPECIAL PURPOSE FINANCIAL STATEMENTS
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in unrestricted net assets	<u>\$ (88,442)</u>	<u>\$ 84,245</u>
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Non-cash contribution of computer equipment	(8,000)	(12,819)
Depreciation and amortization	13,094	18,509
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	20,437	(20,437)
Decrease (increase) in contribution receivable	20,259	(20,259)
(Decrease) increase in accounts payable and accrued expenses	<u>(92,207)</u>	<u>70,243</u>
TOTAL ADJUSTMENTS	<u>(46,417)</u>	<u>35,237</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(134,859)	119,482
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(32,534)</u>	<u>(5,524)</u>
NET (DECREASE) INCREASE IN CASH	(167,393)	113,958
CASH, BEGINNING OF YEAR	<u>185,640</u>	<u>71,682</u>
CASH, END OF YEAR	<u>\$ 18,247</u>	<u>\$ 185,640</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash investing and financing activities:

During the years ended June 30, 2012 and 2011, the Academy received a contribution of computer equipment with a value of \$ 8,000 and \$12,819, respectively.

The accompanying notes are an integral part of these special purpose financial statements.

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 1 – NATURE OF ACTIVITIES

On November 19, 2003, the Miami-Dade County School Board approved the charter school application submitted by the Board of Directors of Acting for All, Inc. (the "Parent"), for Academy of Arts and Minds Charter High School (the "Academy"). The Parent is a nonprofit organization incorporated under the laws of the State of Florida to provide community development, and promote special programs and events including operating a charter school organized pursuant to Section 228.056 of the Florida Statutes. The Parent is governed by the Board of Directors, ("BOD"), that is directly responsible to the Miami-Dade County School District for all aspects of the Academy's operations and activities.

The Academy operates under a charter of the sponsoring school district, the Miami-Dade County School Board (the "School Board"). The Academy's charter was approved by the School Board on February 12, 2004, and is effective until June 30, 2015. The charter may be renewed for up to an additional fifteen (15) years by a mutual written agreement between the Academy and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter, in which case the School Board is required to notify the Academy in writing at least 90 days prior to the charter's termination. Pursuant to Section 228.056(11)(e), Florida Statutes, the charter school contract provides that in the event the Academy is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the School Board. During the term of the charter, the School Board may also terminate the charter if good cause is shown.

The Academy of Arts & Minds Charter High School provides its students with a solid academic foundation and a well-rounded artistic base in preparation for college, university and/or professional undertakings, developing knowledge and creativity with interaction between the educational and the professional world and an expectation that teachers are learners too. All learners participate through a rich curriculum in academics, and professional presentations of the fine arts deepening knowledge and integrating abilities with a goal of:

- Creating a positive and challenging environment blending academic and arts study to develop artistic and professional aspirations;
- Celebrating the value of the schools diverse population;
- Fostering opportunities for artistic performance and exhibitions in the community;
- Employing a rigorous curriculum driven by research and data;
- Incorporating technology within the curriculum;

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

- Promoting participation as citizens of the world through community service and club activities;
- Preparing to meet the challenges of post-secondary endeavors in a 21st century global society.

Accomplishments

The Academy achieved accreditation from the Southern Association of Colleges and Schools at the end of the second year. The students achieved an A grade in the past 2 years and a B grade the two years before that. The Academy attained the 7th best performance record amongst all high schools in Miami-Dade County and the 56th overall best performance record amongst all high schools in Florida. Finally, because of Academy's detail to finances and management, it is one of few charter schools in the State, to achieve the distinction of "High Performing Charter School," as recognized in February of 2012 by the Florida Department of Education pursuant to Sec. 1002.331 Florida Statutes. The designation bestows upon the Academy a menu of benefits and allows the Parent to open other charters in any Florida district with minimal oversight.

Enrollment and Grade Configuration for the 2011-2012 school year:

<u>School Name and Address</u>	<u>Grades</u>	<u>Enrollment</u>	<u>School Principal</u>
Academy of the Arts & Minds	9 th	113	Jorge Suarez
Charter High School	10 th	115	
3138 Commodore Landlord	11 th	112	
Coconut Grove, FL 33133	12 th	75	

Board of Directors (Executive Committee)

The Board of Directors of Academy of Arts and Minds Charter High School (BOD) consists of the following members:

Ruth Montaner, Chairperson - Communications
Cecilia S. Holloman, Board Member - Operations & Management
Percy Aguila, Board Member - Finance
Ignacio Ortiz-Petit, Board Member - Education

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements, disclosures, and account classifications are presented pursuant to the accounting regulations promulgated by Miami-Dade County Public Schools. The special purpose financial statements present the statements of financial position, activities, and cash flows of the Academy of Arts and Minds Charter High School only and does not include the assets, liabilities, net assets, activities, and cash flows of Acting for All, Inc.

In addition, the accounts of the Academy are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying special purpose financial statements, funds from the Academy's programs are presented in accordance with FASB ASC Topic 958, *Not-For-Profit Entities*. In accordance with FASB ASC Topic 958, *Not-For-Profit Entities*, the recognition of contributions to the Academy, which include unconditional promises to give, is recorded as revenue in the period received or promised at their fair values. Contributions made, including unconditional promises to give, are recognized as expenses in the period made or promised at their fair values.

Under FASB ASC Topic 958, *Not-For-Profit Entities*, the Academy is required to report information regarding its financial position and activities according to three classes of net assets: (1) unrestricted, (2) temporarily restricted, and (3) permanently restricted. Temporarily restricted net assets represent those whose use has been limited (restricted) by restrictions placed either on the time period during when the assets may be used or the purposes for which the assets may be used. Permanently restricted net assets are net assets required by donor restrictions or by law to be maintained by the organization in perpetuity. Unrestricted net assets are all other net assets.

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Revenue

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Donor restricted contributions whose restrictions are met within the same reporting period in which they are recognized are reported as unrestricted revenue.

Property and Equipment

Property and equipment, which consist of furniture, fixtures, and equipment, are recorded at cost. Donations of property and equipment are recorded at their fair value as determined on the date of the donation. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation and amortization are provided over the estimated useful lives of the related assets, which generally range from 3 to 10 years, and using primarily the straight-line method.

Revenue Sources

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the Academy's charter. In accordance with the funding provisions of the charter and Section 228.056(13), Florida Statutes, the Academy reports the number of full-time equivalent (FTE) students and related data to the School Board. Under the provisions of Section 236.081, Florida Statutes, the School Board reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the Academy is adjusted monthly during the same fiscal year to reflect the revised calculations by the FDOE under the FEFP and actual FTE students reported by the Academy during the designated full-time equivalent student survey periods.

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, Section 1013.62(1), Florida Statutes, establishes eligibility criteria and allocation procedures for the distribution of capital outlay funds to charter schools. Distributions from capital outlay funds are sent on a monthly basis to the sponsoring school district, which in turn remits funds to the charter schools. Capital outlay fund allocations are calculated during the fiscal year based on student membership to date and are recalculated during the fiscal year to properly reflect such data.

Pursuant to Section 1013.62(2), Florida Statutes, charter school capital outlay funds may be used only for specific purposes in which the Academy has complied and expended in the same fiscal period. Such revenues are included as part of governmental funding revenues in the Statements of Activities, and further detail is shown in Note 4.

Income Taxes

The Academy is not an entity for tax purposes. The Parent has a tax exempt status under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in these financial statements.

Management Estimates

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

Subsequent Events

Management has evaluated subsequent events through August 30, 2012, the date these special purpose financial statements were available to be issued.

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 3 – PROPERTY AND EQUIPMENT

Net property and equipment was comprised of the following as of June 30:

	<u>2012</u>	<u>2011</u>
Furniture and fixtures	\$ 114,767	\$ 106,002
Computer equipment and software	44,465	34,190
Audio visual and other equipment	40,750	40,750
Leasehold improvements	21,494	-
	<u>221,476</u>	<u>180,942</u>
Less: Accumulated depreciation and amortization	<u>156,449</u>	<u>143,355</u>
	<u>\$ 65,027</u>	<u>\$ 37,587</u>

Depreciation expense was \$13,094 and \$18,509 for the years ended June 30, 2012 and 2011, respectively.

NOTE 4 – SUPPORT AND REVENUES

As described in Note 2, the School Board provides operating funds from FEFP, on a monthly basis based on FTE students. Remaining support and revenue sources are generated by daily operations of the Academy from student activities and other contributions (Note 5). These amounts are included in total support and revenues in the Statements of Activities as follows for the years ended June 30:

	<u>2012</u>	<u>2011</u>
<u>Governmental Funding – Federal, State and Local</u>		
Miami-Dade County School Board:		
Florida Education Finance Program	\$ 2,264,661	\$ 2,631,800
Florida Teachers Leaders	5,547	6,762
Capital Outlay	215,480	333,615
Florida School Recognition Award	65,455	70,053
TOTAL	<u>2,551,143</u>	<u>3,042,230</u>
<u>Other Local Sources:</u>	72,512	200,410
<u>Other:</u>		
Contributions from third parties (Notes 5 and 6)	<u>866,523</u>	<u>412,156</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 3,490,178</u>	<u>\$ 3,654,796</u>

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 5 – RELATED PARTY TRANSACTIONS

The Academy had transactions during the year with several related parties managed and owned by a founding board member of the Academy (the "Founder"). The entities are as follow: Commodore Plaza Parking, L.C. (the "Landlord"), A&M Square Food Services, LLC (the "Food Service Provider") and EDU Management, LLC (the "EMO"). The Founder is not a member of the BOD.

During the year ended June 30, 2012 and 2011, the Landlord forgave rent due from the Academy for approximately \$701,000 and \$332,000, respectively. This amount is included in the special purpose financial statements under the caption 'Contributions' reflected in the statements of activities.

The Academy has a lease agreement (described in Note 6) with the Landlord.

During the fiscal years ended June 30, 2012 and 2011, the Academy incurred food costs in the amount of approximately \$142,000 and \$140,000, respectively from the Food Service Provider. Included in accounts payable and accrued expenses at June 30, 2011, of approximately \$29,000 was due to this related entity.

During the year ended June 30, 2012 the Food Service Provider forgave food services due from the Academy for approximately \$72,000. This amount is included in the special purpose financial statements under the caption 'Contributions' reflected in the statements of activities.

The Academy has a contract to provide food service (described in Note 6) with the Food Service Provider.

During the year ended June 30, 2012, the EMO forgave the management fees from the Academy for \$83,000. The Academy has a contract to provide management services (described in Note 6) with the EMO.

The above mentioned related parties are located at 3138 Commodore Landlord, Coconut Grove, Florida 33133.

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 6 – COMMITMENTS

Lease Agreement

The Academy, through its Parent, has a lease agreement with the Landlord. The lease term was for one year, and ended on June 30, 2012, with an option to extend the lease term annually through June 30, 2034. The Academy exercised its option to extend the lease term through June 30, 2013.

The base rent is approximately \$74,000 per month, plus additional rent for common area maintenance, utilities, maintenance and repairs, parking, and other assessments (“Rent Expense”).

Rent expense was approximately \$1,087,000 and \$984,000 for the years ended June 30, 2012 and 2011, respectively, and is included under the caption “Operation of Plant” reflected in the statements of activities.

Food Service Agreement

The Academy, through its Parent has a food service agreement with the Food Service Provider. Pursuant to the agreement the Food Service Provider is to provide food service to students of the Academy. The agreement expires on August 15, 2015.

Management Agreement

In July 2011, the Academy, through its Parent entered into a management agreement with the EMO. As defined in the agreement, the management fee to be paid by the Academy is \$200 per student per year. The agreement expires on June 30, 2016 and provides for five additional, one year options.

NOTE 7 – RISK MANAGEMENT

Insurance for general liability, property coverage and other risks are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 8 – MIAMI-DADE COUNTY SCHOOLS INVESTIGATION

In September 2011, School Board's Audit and Budget Advisory Committee approved an investigation of the Academy's books and records based on allegations made by the Academy's PTSA Executive Board and several concerned parents of students that attended the Academy. In June 2012, the Miami Dade Public Schools Office of Management and Compliance Audits (the "OMCA") issued their report on the results of the investigation.

The OMCA report raised the issues of conflict of interest and other matters related to the Founder and to the BOD. The Academy's response to these allegations and the report findings is essentially that any conflict of interest was properly disclosed and addressed by the BOD, and that neither the Founder nor the BOD violated any laws or regulations, or engaged in any unethical behavior.

The OMCA report made several recommendations that the Academy found appropriate and for which it has taken corrective actions.

NOTE 9 – LEGAL ACTION

The Parent and the members of the Academy's BOD and the Founder are defendants in a legal action for the production of certain public records of the Academy. The Academy provided the records requested immediately after the legal action was filed. Management of the Academy believes that this legal action will not have a financial impact on the Academy.

NOTE 10 – SUBSEQUENT EVENTS

In July of 2012, after five years of service, Board Member Ortiz-Petit stepped down as a member of the governing board.

The search for new board members by existing members is always ongoing. Efforts to recruit new board members were stepped up in May of 2011. The BOD reviewed and ranked interested individuals who they felt were qualified to serve as board members and who would uphold the Academy's high standards of performance. This resulted in the BOD recent appointment of three new members who they believe offer excellent qualifications and diversity. One is a parent of a student currently enrolled at the Academy, another one is the parent of an alumni and the other is a member of the community.

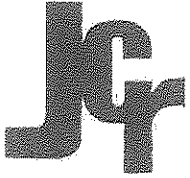
ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 11 – PLANS FOR CONTINUED OPERATIONS

The Academy of Arts and Minds Charter High School commences its ninth year of operation in the 2012-2013 school year. Management believes that through fundraising and careful financial planning the Academy will be able to overcome any difficulties encountered from a reduction of governmental funding for the 2011-12 school year. Government funding has been increased for the 2012-2013 school year. In addition, management believes that improved recruitment, coupled with strong academic and artistic programs will continue to produce strong demand for its educational product and continued stable enrollment for the 2012-2013 school year. The Academy's infrastructure can accommodate 500 students, as allowed by its charter. Management believes that the Academy's stable enrollment and its improved fundraising efforts will provide for a stable financial position for the coming school years.



Jordan Castellon Ricardo P.L.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 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
Academy of Arts and Minds Charter High School

We have audited the special purpose financial statements of Academy of Arts and Minds Charter High School (the "Academy") as of and for the fiscal years ended June 30, 2012 and 2011, and have issued our report thereon dated August 30, 2012. 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

Management of the Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Academy'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 Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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.

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Board of Directors
Academy of Arts and Minds Charter High School
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy'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 special purpose 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 the Board of Directors, Management, the Auditor General of the State of Florida, and the Miami-Dade County School Board, and is not intended to be and should not be used by anyone other than these specified parties.



Coral Gables, Florida
August 30, 2012

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiency identified that is not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

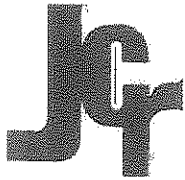
SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

NONE

PRIOR YEAR FINDINGS

NONE



Jordan Castellon Ricardo P.L.

MANAGEMENT LETTER IN ACCORDANCE WITH SECTION 10.850,
RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

We have audited the special purpose financial statements of Academy of Arts and Minds Charter High School (the "Academy") as of and for the fiscal years ended June 30, 2012 and 2011, and have issued our report thereon dated August 30, 2012. 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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, which is dated August 30, 2012, and 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 governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

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 made in the preceding annual financial audit report.

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 audits, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audits, we did not have any such findings.

Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audits, we did not have any such findings.

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Board of Directors
Academy of Arts and Minds Charter High School
(Continued)

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 Academy of Arts and Minds Charter High School.

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 audits, we determined that the Academy did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Academy's 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.

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



Jordan Castellon Ricardo P.L.
Coral Gables, Florida
August 30, 2012