Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc.)
Miami, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2012

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Pinecrest Cove Academy
Site 1 - 4101 SW 107ave
Site 2 - 4301 SW 107ave
Miami, FL 33175

2011-2012

BOARD OF DIRECTORS

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Shannie Sadesky, Vice-Chair
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pinecrest Cove Academy
Miami, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Pinecrest Cove Academy (the "School"), a charter school under Pinecrest Academy, Inc., a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2012, 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 Pinecrest Cove Academy at June 30, 2012, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Pinecrest Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Pinecrest Academy, Inc. as of June 30, 2012 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Pinecrest Cove Academy, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2012, 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 25 through 26 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.

HMB Grover, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2012

Management's Discussion and Analysis
Pinecrest Cove Academy
(A Charter School Under Pinecrest Academy, Inc.)
June 30, 2012

The corporate officers of the Pinecrest Cove Academy (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2012.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2012 by $150,724 (net assets).
2. At year-end, the School had current assets of $333,919.
3. The net assets of the School increased by $150,724 during the year.
4. The unassigned fund balance at year end was $2,513.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2012 are presented in accordance with GASB Codification Section 2200. 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. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental 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 - 15 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 16 - 25 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Assets exceeded liabilities by $150,724 at the close of the fiscal year. As noted earlier, net assets may serve over time as a useful indicator of a charter school's financial position. A summary of the School's net assets as of June 30, 2012 follows:

	2012
Cash	$ 140,594
Accounts Receivable	33,158
Prepaid Expenses	13,000
Capital Assets	511,138
Deposits Receivable	154,167
Total Assets	$ 852,057
Accounts Payable and Accrued Liabilities	171,239
Long term advances from related charter school	530,094
Total Liabilities	$ 701,333
Unrestricted	150,724
Total Net Assets	$ 150,724

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

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2012 follows:

	2012
REVENUES	
Program Revenues	
Operating Grants and Contributions	$ 310,139
Capital Outlay Funding	50,516
Lunch Program	140,206
Charges for Services	
General Revenues	
Local Sources	2,423,808
Other Revenues	382,239
Total Revenues	$ 3,306,908
EXPENSES	
Component Unit Activities:	
Instruction	$ 1,429,860
Instructional Staff Training Services	1,917
Board	-
School Administration	417,961
Fiscal Services	63,450
Facilities Acquisition	2,122
Food Services	163,935
Central Services	80,575
Operation of Plant	652,732
Maintenance of Plant	151,425
Community Services	192,207
Total Expenses	3,156,184
Increase in Net Assets	150,724
Net Assets at Beginning of Year	-
Net Assets at End of Year	$ 150,724

The 2011-2012 was the first year of operation for the school. Accordingly, the financial statement has no comparison with prior year results. Comparative analysis will be provided in the future years when prior year information is available. The School had an increase in its net assets of $150,724 for the current year.

Lease of Facility

The School leases a facility located at 4101 SW 107th Avenue, Miami FL, 33175 and 4301 SW 107th Avenue, Miami, FL 33165.

Capital Improvement Requirements

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

Accomplishments

Pinecrest Cove Academy opened its doors this past year to over 420 students in grades Kindergarten – 8th grade. In only its first year, the School earned a letter grade of "A" and received a School Recognition Award. Based on the points it received under the State of Florida Accountability Program, Pinecrest Cove ranked among the top-performing public K-8 schools in Miami-Dade County.

This past year, Pinecrest Cove students participated in various clubs and team sports, including FEA, Junior Honor Society, Writing Club, Art Club, Spanish Club, Dance, Cheerleading, Basketball & Volleyball. They also participated in school-based musical productions such as the Holiday Show and Spring Talent Show. Students also contributed to various community service projects and school-based fundraisers such as the United Way, Walk-A-Thon, Pinecrest Fest, and Scholastic Book Fair.

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 $162,680. The fund balance unassigned and available for spending at the School's discretion is $2,513. 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, 2012 amounts to $511,138 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and equipment. There is debt associated 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 the governmental funds to demonstrate compliance with the School's budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Capital Outlay Funding	$ 30,000	$ 50,500	$ 50,516
Federal Sources	275,000	310,000	310,139
Lunch Program	140,000	140,000	140,206
General Revenues			
FTE Nonspecific Revenues	2,362,316	2,420,000	2,423,808
Charges and Other Revenues	150,000	380,000	382,239
Total Revenues	$ 2,957,316	$ 3,300,500	$ 3,306,908
CURRENT EXPENDITURES			
Component Unit Activities:			
Instruction	1,288,914	1,385,000	1,379,661
Instructional Staff Training Services	2,000	2,000	1,917
Board			
School Administration	355,000	421,250	417,961
Fiscal Services	50,000	65,000	63,450
Food Services	140,000	164,500	163,935
Central Services	60,000	85,000	80,575
Operation of Plant	580,000	650,500	644,204
Maintenance of Plant	120,000	155,000	151,425
Community Services	150,000	195,000	192,207
Total Current Expenditures	$ 2,745,914	$ 3,123,250	$ 3,095,335

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.

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc)

Statement of Net Assets
June 30, 2012

Assets

Current assets:		
Cash	$	140,594
Accounts receivable, no allowance necessary		33,158
Prepaid expenses		6,000
Deposits receivable		154,167
		333,919
Capital assets, depreciable		571,986
Less: accumulated depreciation		(60,848)
		511,138
Prepaid rent		7,000
Total Assets	$	852,057

Liabilities and Net assets

Current liabilities:		
Salaries and wages payable	$	143,484
Accounts payable		27,755
		171,239
Long term advances from related charter school		530,094
Total Liabilities		701,333
Net assets:		
Unrestricted		150,724
Total Net Assets		150,724
Total Liabilities and Net Assets	$	852,057

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

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc)

Statement of Activities
For the year ended June 30, 2012

FUNCTIONS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:					
Instruction	$ 1,429,860	109,586	$ 310,139	$ -	(1,010,135)
Instructional staff training	1,917	-	-	-	(1,917)
School administration	417,961	-	-	-	(417,961)
Food services	163,935	48,300	91,906	-	(23,729)
Facilities acquisition	2,122	-	-	-	(2,122)
Fiscal services	63,450	-	-	-	(63,450)
Central services	80,575	-	-	-	(80,575)
Operation of plant	652,732	-	-	50,516	(602,216)
Maintenance of plant	151,425	-	-		(151,425)
Community Services	192,207	241,649	-	-	49,442
Total governmental activities	3,156,184	399,535	402,045	50,516	(2,304,088)

General revenues:	
FTE nonspecific revenues	2,423,808
Fundraising and other revenue	31,004
Change in net assets	150,724
Net assets, beginning	-
Net assets, ending	$ 150,724

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

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc)

Balance Sheet - Governmental Funds
June 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash	$ 140,594	$ -	$ 140,594
Accounts receivable	33,158	-	33,158
Prepaid expenses	6,000	-	6,000
Deposits receivable	154,167	-	154,167
Total Assets	$ 333,919	$ -	$ 333,919
Liabilities			
Salaries and wages payable	$ 143,484	$ -	$ 143,484
Deposits	27,755	-	27,755
Total Liabilities	171,239	-	171,239
Fund balance			
Nonspendable, not in spendable form	160,167	-	160,167
Restricted	-	-	-
Unassigned	2,513	-	2,513
	162,680	-	162,680
Total Liabilities and Fund Balance	$ 333,919	$ -	$ 333,919

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

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets
For the year ended June 30, 2012

Total Fund Balance - Governmental Funds	$	162,680
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of $571,986 net of accumulated depreciation of $60,849 used in governmental activities are not financial resources and therefore are not reported in the fund.		511,138
Prepaid rent advances of $7,000 are considered long terma nd will not be allocated to rent expense during the current period and therefore are not reported in the funds.		7,000
Long term liability from related party which is not due and payable in the current period and therefore is not reported in the governmental funds.		(530,094)
Total Net Assets - Governmental Activities	$	150,724

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

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State capital outlay funding	$ -	$ 50,516	$ 50,516
State passed through local	2,423,808	-	2,423,808
Federal sources	-	310,139	310,139
Lunch program	-	140,206	140,206
Charges and other revenue	382,239	-	382,239
Total Revenues	2,806,047	500,861	3,306,908
Expenditures:			
Current			
Instruction	1,310,112	69,549	1,379,661
Board	-	-	-
Instructional staff training	1,917	-	1,917
School administration	416,886	1,075	417,961
Fiscal services	63,450	-	63,450
Food services	-	163,935	163,935
Central services	80,575	-	80,575
Operation of plant	593,688	50,516	644,204
Maintenance of plant	151,425	-	151,425
Community Services	192,207	-	192,207
Capital Outlay:			
Other capital outlay	332,472	239,515	571,987
Total Expenditures	3,142,732	524,590	3,667,322
Excess (deficit) of revenues over expenditures	(336,685)	(23,729)	(360,414)
Other financing sources (uses)			
Transfers in (out)	(23,729)	23,729	-
Long term advance for prepaid rent	(7,000)	-	(7,000)
Proceeds received from long term advance	530,094	-	530,094
Net change in fund balance	162,680	-	162,680
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	$ 162,680	$ -	$ 162,680

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

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc)

Reconciliation of the Statement of Revenues, Expenditures an Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2012

Net Change in Fund Balance - Governmental Funds		$ 162,680
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 $571,987 exceed depreciation expense of $60,849.	511,138
	Governmental funds report long term portion of prepaid rent advances as expenditures. However, in the statement of activities, the cost of the asset is allocated over the term of the lease agreement as rental expense. This is the amount by which long term portion of prepaid rent of $7,000 differed from rental expense.	7,000
	The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds of $530,094 exceeded repayments of $0 in the current period.	(530,094)
Change in Net Assets of Governmental Activities		$ 150,724

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

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc)

Statement of Net Assets - Fiduciary Funds
June 30, 2012

Assets

Cash	$ 65,443
Total Assets	$ 65,443

Liabilities

Due to students and clubs	$ 65,443
Total Liabilities	65,443
Net assets:	$ -

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

Note 1 – Organization and Operations

Pinecrest Cove Academy (the "School"), is a charter school under Pinecrest Academy, Inc., a not-for-profit corporation organized in the State of Florida. The governing body of the School is the board of directors of Pinecrest Academy, Inc., which also governs other various charter schools. The School operates under a charter granted by the sponsoring district, the District School Board of Miami-Dade County (the "District"). The current charter expires on June 30, 2015 and is renewable for an additional term pursuant to law and/or by a mutual written agreement between the School and the District. During the term of the charter, the District may terminate the charter if good cause is shown. The School is considered a component unit of such District. The School is located in Miami, Florida for students from kindergarten through eight grade and is funded by the District.

These financial statements are for the period from inception through June 30, 2012, when approximately 423 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 capital outlay funding and federal lunch program that are legally restricted to expenditures for particular purposes.

Agency Fund – accounts for resources of the School's Internal Fund, which is used to administer monies collected at the schools in connection with school, student athletics, class, and club activities.

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

Compensated Absences

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

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefits years.

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

Income Taxes

Pinecrest 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.

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 30, 2012, 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.

Use of Estimates

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

Note 3 –Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2012:

	Balance 07/01/11	Additions	Retirements	Balance 6/30/12
Capital Assets:				
Buildings and Improvements	$ -	$ 13,387	$ -	$ 13,387
Computer equipment and software	-	281,019	-	281,019
Furniture, equipment and textbooks	-	277,580	-	277,580
Total Capital Assets	-	571,986	-	571,986
Less Accumulated Depreciation:				
Buildings and Improvements	-	(335)	-	(335)
Software	-	(28,355)	-	(28,355)
Furniture, equipment and textbooks	-	(32,158)	-	(32,158)
Total Accumulated Depreciation	-	(60,848)	-	(60,848)
Capital Assets, net	$ -	$ 511,138	$ -	$ 511,138

Note 3 –Capital Assets (continued)

For the fiscal year ended June 30, 2012, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	$	50,197
Facilities acquisition		2,122
Operation of plant		8,529
Total Depreciation Expense	$	60,848

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 with Pinecrest Academy, Inc. for a period of five years, through June 30, 2016, and unless terminated by the board shall be renewed along with any renewals to the charter agreement, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2012, the School incurred approximately $190,350, in management fees.

Academica Dade, LLC is located at 6340 Sunset Drive, Miami, Florida 33143 and its officers are:

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

Note 5 –Related Party Transactions

During the year, the School received long term non-interest bearing advances from Pinecrest Preparatory Academy (a charter school under Pinecrest Academy, Inc.) for working capital purposes totaling $530,094.

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, 2012, administrative fees withheld by the School District totaled $73,000.

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, 2012, the carrying amount of the School's deposits was $140,594 and the respective bank balances totaled $367,581.

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, 2012.

Note 7 – Commitments and Contingencies

The School entered into a commercial lease agreement with River of Hope Presbyterian Church, Inc. for its 4101 facility. Fixed initial annual payments under this agreement are based on the a fee of $700 per student. Additional property costs will include repairs, maintenance and insurance. The agreement continues through July 15, 2015 with an additional term of three years followed by automatic renewal for additional terms of two years each unless and until terminated as provided by in the agreement

The School also entered into a commercial lease agreement with First Baptist Church of Westwood Lake, Inc. for its second location at its 4301 facility. Fixed initial annual payments under this agreement are $350,000 adjusted annually based on the Consumer Price Index (CPI) plus $700 per student, per year for every student in excess of an enrollment of 500 students at the facility. Additional property costs will include repairs, maintenance and insurance. The agreement continues through August 15, 2014 with an automatic floating one year renewal periods unless terminated as provided by in the agreement. The lease provides for an option to purchase the property for $9,000,000 at any time before June 30, 2014. The agreement required the school to pay a $125,000 deposit on this purchase option.

Note 7 – Commitments and Contingencies (continued)

For 2012, rent expense totaled $416,266, out which approximately $406,168 related to facility lease. As of June 30, 2012, the School had prepaid rent of $13,000.

Future minimum payments are as follows:

Year	
2013	$438,593
2014	$438,593
2015	$78,829

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.

Note 9 – Defined Contribution Retirement Plan

The School's personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School provides a match of 50% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan $13,105 for the year ended June 30, 2012. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by MassMutual Financial Group.

REQUIRED SUPPLEMENTARY INFORMATION

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2012

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	$ 2,362,316	$ 2,420,000	$ 2,423,808
Charges and other revenue	150,000	380,000	382,239
Total Revenues	2,512,316	2,800,000	2,806,047
EXPENDITURES			
Current:			
Instruction	1,218,914	1,315,000	1,310,112
Instructional Staff Training	2,000	2,000	1,917
Board		-	-
School Administration	350,000	420,000	416,886
Fiscal Services	50,000	65,000	63,450
Food Services		-	-
Central Services	60,000	85,000	80,575
Operation of Plant	550,000	600,000	593,688
Maintenance of Plant	120,000	155,000	151,425
Community Services	150,000	195,000	192,207
Total Current Expenditures	2,500,914	2,837,000	2,810,260
Excess of Revenues Over Current Expenditures	11,402	(37,000)	(4,213)
Capital Outlay	315,000	335,000	332,472
Total Expenditures	2,815,914	3,172,000	3,142,732
Excess of Revenues Over Expenditures	(303,598)	(372,000)	(336,685)
Other financing sources (uses):			
Transfers in (out)	-	(25,750)	(23,729)
Long term advance for prepaid rent	-	(7,000)	(7,000)
Proceeds received from long term advance	300,000	530,000	530,094
Net change in fund balance	(3,598)	125,250	162,680
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	$ (3,598)	$ 125,250	$ 162,680

Pinecrest Cove Academy
(A charter school under Pinecrest Academy, Inc)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2012

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	$ 30,000	$ 50,500	$ 50,516
Federal sources	275,000	310,000	310,139
Lunch program	140,000	140,000	140,206
Total Revenues	445,000	500,500	500,861
EXPENDITURES			
Current:			
Instruction	70,000	70,000	69,549
School administration	5,000	1,250	1,075
Food services	140,000	164,500	163,935
Operation of Plant	30,000	50,500	50,516
Total Current Expenditures	245,000	286,250	285,075
Excess of Revenues Over Current Expenditures	200,000	214,250	215,786
Capital Outlay	200,000	240,000	239,515
Total Expenditures	445,000	526,250	524,590
Excess of Revenues Over Expenditures	-	(25,750)	(23,729)
Other financing sources (uses)			
Transfers in (out)	-	25,750	23,729
Net change in fund balance	-	-	-
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	$ -	$ -	$ -

HLB GRAVIER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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
Pinecrest Cove Academy
Miami, Florida

We have audited the financial statements of the governmental activities and each major fund of Pinecrest Cove Academy (the "School") as of, and for the year ended June 30, 2012, and have issued our report thereon dated August 30, 2012. 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.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2012

HLB GRAVIER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT LETTER

Board of Directors of
Pinecrest Cove Academy
Miami, Florida

We have audited the accompanying basic financial statements of Pinecrest Cove Academy as of and for the year ended June 30, 2012 and have issued our report thereon dated August 30, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosure in those reports, which are dated August 30, 2012, 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.

   Not applicable since this is the first year of operations.

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 findings.

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

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

4. Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement accounts, considering both quantitative and qualitative factors: (1) violations of 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.

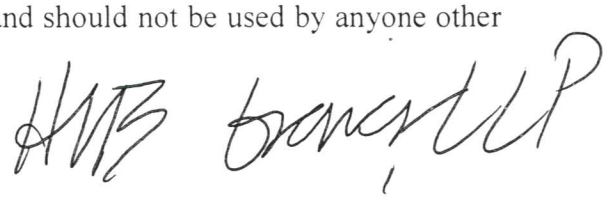
6. Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met.

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

7. Pursuant to Sections 10.854(1)(e)7.a. and 10.855(11)., 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2012