

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors of
Academy of Arts and Minds Charter High School

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, 2007 and 2006 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 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 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 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 statement of financial position, activities and cash flows of Acting for All, Inc. (a not-for-profit 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, 2007 and 2006 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, 2007 and 2006, and the results of its operations and its cash flows for the fiscal 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 September 6, 2007 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.

Morrison, Brown, Argiz + Farra, LLP
Miami, Florida
September 6, 2007

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ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

SPECIAL PURPOSE FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

<i>ASSETS</i>	2007	2006
Cash	\$ 7,104	\$ 22,093
Other assets	57,090	24,000
Property and equipment, net	<u>81,765</u>	<u>84,453</u>
TOTAL ASSETS	<u>\$ 145,959</u>	<u>\$ 130,546</u>
<i>LIABILITIES AND NET ASSETS</i>		
Accounts payable	\$ 109,930	\$ 64,561
Due to related parties	<u>27,500</u>	<u>-</u>
TOTAL LIABILITIES	137,430	64,561
NET ASSETS		
Unrestricted	<u>8,529</u>	<u>65,985</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 145,959</u>	<u>\$ 130,546</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,

	<u>2007</u>	<u>2006</u>
CHANGES IN UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUES:		
State	\$ 1,812,185	\$ 1,036,260
Local	134,971	74,507
Contribution of deferred rent	-	646,953
Contributions from related parties	<u>-</u>	<u>380,926</u>
TOTAL SUPPORT AND REVENUES	<u>1,947,156</u>	<u>2,138,646</u>
EXPENSES		
Instruction (Teachers)	566,696	396,521
Pupil personnel services	40,240	6,800
Instructional media service	57,759	-
Instructional and curriculum development services	99,462	49,616
Board	17,000	15,500
School administration	181,975	139,011
Facilities acquisition / construction	29,007	14,726
Fiscal services	18,844	28,310
Central services	204,355	122,007
Operation of plant	769,416	856,164
Depreciation	<u>19,858</u>	<u>17,006</u>
TOTAL EXPENSES	<u>2,004,612</u>	<u>1,645,661</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(57,456)	492,985
NET ASSETS, BEGINNING OF YEAR	<u>65,985</u>	<u>(427,000)</u>
NET ASSETS, ENDING OF YEAR	<u>\$ 8,529</u>	<u>\$ 65,985</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,

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in unrestricted net assets	\$ (57,456)	\$ 492,985
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash used in operating activities:		
Depreciation	19,858	17,006
Forgiveness of deferred rent	-	(646,953)
Forgiveness of related party liabilities	-	(380,926)
Changes in assets and liabilities:		
Decrease (increase) in other assets	(33,090)	49,600
Increase in accounts payable	45,369	13,356
Increase (decrease) in salaries and wages payable	-	(6,525)
Increase (decrease) in payroll deductions and withholdings	-	(2,251)
Increase in deferred rent	-	358,953
TOTAL ADJUSTMENTS	<u>32,137</u>	<u>(597,740)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(25,319)</u>	<u>(104,755)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(17,170)</u>	<u>(19,787)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related parties	<u>27,500</u>	<u>142,823</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(14,989)</u>	<u>18,281</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>22,093</u>	<u>3,812</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,104</u>	<u>\$ 22,093</u>

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, 2007 AND 2006

NOTE 1. NATURE OF ACTIVITIES

On November 19, 2003, the Miami-Dade County School Board approved the 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 non-profit organization incorporated under the laws 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 (2001).

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 Board of Directors 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 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 (2001), 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.

Enrollment and Grade Configuration

<u>School Name and Addresses</u>	<u>Grades</u>	<u>Enrollment</u>	<u>School Principal</u>
Academy of the Arts and Minds	9 th	73	Alex Tamargo
3138 Commodore Plaza	10 th	79	
Coconut Grove, FL 33133	11 th	80	

Board of Directors (Executive Committee)

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

Ruth Montaner	President
Jorge Guerra Castro	Member
Jose Noy	Member
Ignacio Ortiz-Petit	Member
Daniel Medvedov	Member

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

NOTE 1. NATURE OF ACTIVITIES (CONTINUED)

Charter School Advisory Council

Zandra Simm	Rolando Barrios
Judy Wells	Yvonne Perez
Alfonso Jugo	Tere Thunem

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 financial position, activities and cash flows for the Academy of Arts and Minds Charter High School only and does not include the assets, liabilities, net assets and statements of 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 Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* and SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*, issued by the Financial Accounting Standards Board ("FASB"). In accordance with SFAS No. 116, the recognition of contributions to the Academy is recorded as revenue in the period received at their fair values. Contributions made, including unconditional promises to give, are recognized as expenses in the period made at their fair values.

Under SFAS No. 117, the Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Academy is required to present a statement of cash flows.

- Unrestricted net assets consist of net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.
- Temporarily restricted net assets represent net assets with a donor-imposed restriction that is satisfied either by the passage of time or by actions of the Academy.
- Permanently restricted net assets result primarily from contributions and other inflows of assets whose use by the Academy is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Academy.

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

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 Statement of Activities as net assets released from restrictions. No restricted monies were received by the Academy.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts held with financial institutions. The Academy considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Fair value approximates carrying amounts.

Property and Equipment, Net

Property and equipment consist of furniture, fixtures and equipment and are recorded at cost and depreciated using the straight-line method over a three to ten year estimated useful lives. Expenditures greater than \$1,000 that increase the value or productive capacity of assets are capitalized.

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 (2001), 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 (2001), 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 quarterly during the same fiscal year to reflect the revised calculations by the FDOE under the FEFP and the actual FTE students reported by the Academy during the designated full-time equivalent student survey periods.

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 turns remits funds to the charter schools. Capital outlay fund allocations are calculated during the fiscal year based on student membership date and are recalculated during the fiscal year to properly reflect such data.

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Sources (continued)

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 state revenues in the Statements of Activities (Note 4).

Income Taxes

The Academy is exempt from income taxes 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Changes and Error Corrections

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* which supersedes Accounting Principles Board Opinion No. 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. SFAS 154 changes the requirements for the accounting for and reporting of changes in accounting principles. The statement requires the retroactive application to prior periods' financial statements of changes in accounting principles, unless it is impracticable to determine either the period specific effects or the cumulative effect of the change. SFAS 154 does not change the guidance for reporting the correction of an error in previously issued financial statements or the change in an accounting estimate. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS 154 did not have a material impact on the results of operations and financial condition of the Academy.

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 3. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of June 30:

	<u>2007</u>	<u>2006</u>
Furniture, fixtures, and equipment	\$ 140,139	\$ 122,969
Less: Accumulated depreciation	<u>58,374</u>	<u>38,516</u>
	<u>\$ 81,765</u>	<u>\$ 84,453</u>

Depreciation expense was \$19,858 and \$17,006 for the years ended June 30, 2007 and 2006, respectively.

NOTE 4. REVENUE SOURCES

As explained in Note 2, the School Board provides operating funds from FEFP, on a monthly basis based on FTE students. Remaining revenue sources are generated by daily operations of the Academy from student activities and other contributions (NOTE 5). These amounts are included in total revenue sources in the Statement of Activities as follows:

	<u>2007</u>	<u>2006</u>
<u>Miami-Dade County School Board:</u>		
Florida Education Finance Program	\$ 1,552,863	\$ 844,487
Second year implementation grant	-	191,773
Capital outlay	245,044	-
Florida school recognition award	<u>14,278</u>	<u>-</u>
TOTAL	<u>1,812,185</u>	<u>1,036,260</u>
<u>Local Source:</u>	<u>134,971</u>	<u>74,507</u>
<u>Other:</u>		
Contribution of deferred rent	-	646,953
Contributions from related parties	<u>-</u>	<u>380,926</u>
TOTAL	<u>-</u>	<u>1,027,879</u>
TOTAL REVENUES	<u>\$ 1,947,156</u>	<u>\$ 2,138,646</u>

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 5. RELATED PARTY TRANSACTIONS

The Academy has several related parties which include the Parent, the Spokesman of the BOD (the "Spokesman"), and Commodore Plaza Parking, L.C. (the "Plaza"), an entity owned by the Spokesman. The Parent provided financial resources to the Academy for startup costs and other operating expenses. The Spokesman also funded monies for the operational needs of the school during the year in addition to advances to the Academy for operating expenses.

During the initial startup of the Academy and throughout the course of the fiscal years ended June 30, 2007 and 2006, the Academy received the following advances from the related parties mentioned above, which are located at 3138 Commodore Plaza, Suite 317, Coconut Grove, Florida 33133:

	<u>2007</u>	<u>2006</u>
Acting for All, Inc.	\$ 500	\$ -
Spokesman of the Board of Directors	<u>27,000</u>	<u>-</u>
TOTAL	<u>\$ 27,500</u>	<u>\$ -</u>

During 2006, the Academy received additional advances of \$142,823 from the above related parties. The total amount due to related parties of \$380,926 was forgiven and recorded as a contribution from related parties and is included in revenue in the Statement of Activities. In addition, as of June 30, 2006, the amount owed of \$646,953 for the Academy's operating facility was forgiven by the landlord and recorded as a contribution of deferred rent and is included in revenue in the Statement of Activities.

NOTE 6. COMMITMENTS AND CONTINGENCIES

School Facility Operating Lease

Effective August 1, 2004, the Parent entered into a twenty-year operating lease with Commodore Plaza Parking, L.C. for the Academy's school facilities in Coconut Grove, Florida. In addition, the Academy pays for all property taxes, insurance, common area maintenance and parking spaces. Parking spaces will vary depending on the number of spaces occupied during the fiscal year.

As noted in Note 5, rent expense through June 30, 2006 was forgiven and the Academy entered into a new lease with the same related party after the termination of the prior lease. The terms of the new lease are pursuant upon the number of students enrolled and their usage, and the utilization of the facility's space as well as market conditions. The new lease term is for one year with the option to extend the lease on an annual basis.

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

School Facility Operating Lease (continued)

Payments on the lease include common area maintenance, parking fees and other assessments in addition to the base rent of \$26,460 per month for the year ended June 30, 2007. Rent expense for the years ended June 30, 2007 and 2006 was approximately \$449,000 and \$572,000, respectively.

The Academy has entered into a one year lease agreement for the following fiscal school year ended June 30, 2008. The terms on the lease are the same as in the prior year; however the monthly lease payments are approximately \$69,600 for the year ended June 30, 2008.

NOTE 7. RISK MANAGEMENT

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

NOTE 8. PLANS FOR CONTINUED OPERATIONS

The Academy of Arts and Minds commences its fourth year of operation servicing high school students from grades 9-12 for the first time since its inception for the fiscal school year 2007-2008. This is the first year that the Academy has reached its projected capacity due to the growth in student population, faculty and staff. The Academy is now in an affirmative financial situation to ensure its operations for the years to come. The following factors are in place to assure that the Academy will be able to operate and meet its needs without incurring further debt:

1. The school has added another 9th grade class thus expanding to grades 9-12 for the school year 2007-2008. The revenue from the additional 130 students allows the school to operate with a balanced budget. The enrollment is increasing from 250 students to 380 students.
2. The Academy's lead teacher is handling the school's recruiting and audition process for the second consecutive year. This year the Academy had a noticeable increase in enrollment and applications. Enrollment is up 52% from the 2006-2007 school year and applications went up 100% from the prior year as well. Recruiting efforts are paying dividends and ensuring that the school maintains a stable financial position.

**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, 2007 and 2006, and have issued our report thereon dated September 6, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant 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 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 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*. We noted no matters that we have reported to the Academy's management for the year ended June 30, 2007.

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.

Morrison, Brown, Aziz & FARRA, LLP
Miami, Florida
September 6, 2007

ACADEMY OF ARTS AND MINDS CHARTER HIGH SCHOOL

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes No None reported

Noncompliance material to financial statements noted? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

2006- 1 FINANCIAL REPORTING

Condition Found

The Academy hired a third party record keeper to maintain its accounting records during the year. However, through our audit, we noted that in certain cases incorrect record keeping was posted to the ledger and corrections needed to be done.

Recommendation

The Academy should establish and maintain books, records, and documents in accordance with U.S. generally accepted accounting principles and practices as well as the requirements of the Miami-Dade County Public School Board. The necessary procedures should be implemented in order to execute the complete and accurate recording of financial information in order to prevent possible deficiencies in financial reporting.

Current Status

This prior year finding has been addressed and corrected. No similar findings were noted in the 2007 audit.

**2006-1 INTERNAL FINANCIAL STATEMENTS NOT CONSISTENT WITH YEAR END
AUDIT**

Observation:

As a result of the audit, there were significant adjustments to the financial statements provided to the Academy. These adjustments should have been made prior to the commencement of the audit.

Recommendation:

The financial statements prepared by the Academy throughout the year should be consistent with the year end audit. This will allow management and the board to be able to more accurately assess the Academy's financial condition and results of its activities.

Current Status:

This prior year finding has been addressed and corrected. No similar findings were noted in the 2007 audit.

2006-2 DISBURSEMENTS

Observation:

During our audit, we noted that certain voided checks were not retained. In addition, we noted that certain checks were not included in the accounting records due to them not being used. As a result, the checks were never voided in the accounting records.

Recommendation:

We recommend that all voided checks be defaced, with the signature portion of the check removed and the check retained and accounted for in numerical sequence. We recommend that all checks not used be voided in the accounting records.

Current Status:

This prior year finding has been addressed and corrected. No similar findings were noted in the 2007 audit.

MORRISON, BROWN, ARGIZ & FARRA, LLP

Certified Public Accountants

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

Board of Directors
Academy of Arts and Minds Charter School

We have audited the special purpose financial statements of the Academy of Arts and Minds Charter School (the "Academy") as of and for the fiscal years ended June 30, 2007 and 2006, and have issued our report thereon date September 6, 2007. 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 also issued our report on internal control over financial reporting and on compliance and other matters, which is dated September 6, 2007 and should be considered in conjunction with this management letter.

In connection with our audits of the special purpose financial statements of the Academy for the fiscal years ended June 30, 2007 and 2006, we report the following in accordance with Chapter 10.850 Rules of Auditor General, Charter School Audits which requires that this report specifically address but not be limited to the matters outlined in Rule 10.854(1)(d):

1. No inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions were reported.
2. No matters relating to the improvement of the Academy's present financial management, accounting procedures and internal controls were reported.
3. During the course of our audits, we did not find any:
 - a. Violation of any laws, rules, regulations, contracts, and grant agreements or abuse that: (1) have occurred, or are likely to have occurred; (2) were discovered within the scope of the financial audit; and (3) may or may not have materially affected the financial statements.
 - b. Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.

We noted no matters involving the internal control over financial reporting and its operation that we considered to be a material weakness during the 2007 audit. Additionally, we noted no matters related to the Academy's internal controls and operating efficiency.

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.

Morrison, Brown, Argiz & Farra, LLP
Miami, Florida

September 6, 2007

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ACTING FOR ALL, INC.
ACADEMY OF ARTS & MINDS
3138 COMMODORE PLAZA SUITE 317 COCONUT GROVE, FLORIDA 33133
TEL: (305) 448-1100 FAX: (305) 448-1370 E.MAIL: MAIL@AANDM.NET

January 18, 2008

VIA Email ; no regular mail will follow.

Trevor Williams, CPA
Assistant Chief Auditor
Dade County Public Schools
1450 N.E. 2nd. Avenue
Suite 415
Miami, Florida 33132

Re: Audited Financial Statements - Academy of Arts & Minds
Year ended June 30, 2007

Dear Mr. Williams:

This is in response to your request for information regarding items in the Audited Financial Statements for the year ended June 30, 2007 for the Academy of Arts & Minds.

Please note that the Academy's facilities Lease is not with a related party. The Lease is with Commodore Plaza Parking LC.

None of the Board Members or employees of the Academy of Arts & Minds have a financial interest in the Landlord entity and similarly none of the Board Members of the Academy have an interest in Commodore Plaza Parking LC. The Board member that had an interest in the Landlord entity resigned from the Board of Directors February 3, 2006, almost two years ago. Attached is his resignation.

The cost of school facilities for the Academy are within the lowest range of market rates in the vicinity where the school is located. Attached is an evaluation done two years ago by Pena Appraisal Services Inc. showing market rents in the immediate vicinity of the school to be between \$30 and \$45 per s.f. During the last two years rents have not gone down in the area where the School is located.

The rent paid by the school is very reasonable and within the budget adopted for the 2007-2008 school year. Rents increased from a rate of 14.76 per s.f. (a rate well below market), to a low end market rate rent of \$30.85, ($\$835,197.00 / 27,069 \text{ s.f.} = \$30.85 / \text{s.f.}$). The rent paid during the last three years was a very favorable rent to the school. The rent paid also includes the

maintenance of the school building's electrical, air conditioning, plumbing, painting, general repair and water usage.

Last year the school rented 1,860 additional s.f. of space from the landlord to cover increases in student enrollment. The total space leased increased to 27,069 s.f. and the rent increased respectively. Attached is a schedule of the School's space allocations.

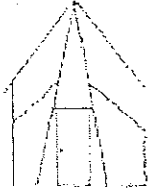
Hopefully this answers your questions. If we can be of further assistance please contact me at your convenience.

Sincerely,

Acting For All, Inc.

A handwritten signature in cursive script, appearing to read "Ruth Montaner".

Ruth Montaner,
Board Chair.



Peña Appraisal Services Inc.

January 06, 2005

Mr. Manuel Alonso-Poch
3138 Commodore Plaza
Suite 318
Coconut Grove Fl. 33133

Re: 3138 Commodore Plaza
Coconut Grove, Florida

Dear Mr. Alonso;

Pursuant to your request to provide an evaluation of the rental rates charged to Acting For All Inc. for space at 3138 Commodore Plaza Miami, Florida, our research has resulted in the following conclusions:

1. Acting For All Inc. leases 19,500 sf. at 3138 Commodore Plaza Miami, Florida, ("the Premises"), pursuant to a lease with a term of 20 years for use of the Premises as a charter school and a cultural center.
2. The base rent under the Lease is \$268,000.00 per year resulting in a per square foot rent rate of \$14.76 per square foot.
3. The ongoing rental rate for the area fluctuates between \$30.00 and \$45.00 per square foot depending on the location and the exposure of the space.
4. The rent rate paid by Acting For All Inc. for the Premises is well below the market rate for similarly situated space in the area.

If you have any additional questions please feel free to contact me.

Sincerely,

Ralph Pena III
State Certified General REA
RZ3724

MANUEL ALONSO-POCH

3520 Rockerman Road
Coconut Grove, Florida
33133
ofc: (305) 448-4053
hom: (305) 285-7957
fax: (305) 443-0903
cel: (305) 205-2933
e.mail map@malonsopoch.com

February 3, 2006

VIA HAND DELIVERY

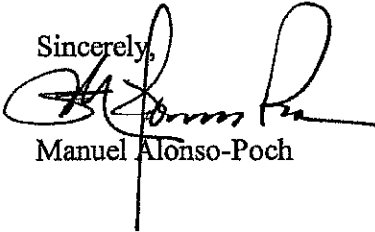
Members of the Board
Acting For All Inc.
3138 Commodore Plaza Suite 317
Coconut Grove, Florida 33133

Re: Resignation as Member of the Board and Board Chair

Dear Members of the Board:

Please accept this letter as notice of my resignation as member of the board of directors and board chair of this fine organization effective immediately.

I also want to let you know that my heart will always be attached to the Arts & Minds Center and Acting For All Inc. so please feel free to call me if you ever need my help carrying out the Center's mission.

Sincerely,

Manuel Alonso-Poch

**ACADEMY OF ARTS & MINDS
SPACE CALCULATIONS**

2007-2008

Student Count	375	Classroom	%	/Student	Administrativ	%	/Student	Kitchen/Storage/Other	%	/Student
Basement								2,200		
Ground Floor					650					
Second Floor		5,655						3,620		
Third Floor		5,657			1,755			605		
Fourth Floor		5,215						1,712		
Sub-Totals		16,527	61%	44	2,405	9%	6	8,137	30%	22
Total SF		27,069	/student =	72	s.f.					