

Doral Academy High School
(A charter school under
The Doral Academy, Inc.)
Doral, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2012

TABLE OF CONTENTS

General Information	1
Independent Auditors' Report.	2-3
Management's Discussion and Analysis (Required Supplementary Information)	4-9
Basic Financial Statements:	
<i>Government-wide Financial Statement:</i>	
Statement of Net Assets	10
Statement of Activities.	11
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds.	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets.	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.	15
Statement of Net Assets – Fiduciary Funds	16
Notes to the Basic Financial Statements	17-27
Required Supplementary Information:	
Budgetary comparison schedules.	28-29
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
	30-31
Management Letter	32-34
Management Response	35

Doral Academy High School
11100 NW 27 St.
Doral, FL 33172

2011-2012

BOARD OF DIRECTORS

Angela Ramos, President and Chair
Luis Fuste, Vice Chair and Treasurer
Rene Roviroso, Secretary
Manny Cid
Kim Guilarte

SCHOOL ADMINISTRATION

Douglas Rodriguez, Principal

INDEPENDENT AUDITORS' REPORT

Board of Directors
Doral Academy High School
Doral, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Doral Academy High School (the "School"), a charter school under The Doral Academy, Inc., which is 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.

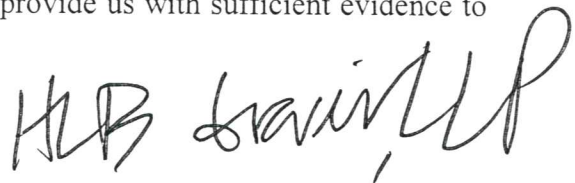
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 Doral Academy High School 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 The Doral Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of The Doral 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 Doral Academy High School, 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 9 and 28 through 29 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.

A handwritten signature in black ink, appearing to read "HLB" followed by a stylized name or initials.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2012

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

The corporate officers of Doral Academy High 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 \$4,837,629 (net assets).
2. At year-end, the School had current assets on hand of \$1,964,439.
3. The net assets of the School decreased by \$122,894 during the year.
4. The unassigned fund balance at year end was \$949,682.

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 10 - 11 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 12 - 16 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 17 - 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a charter school's financial position. In the case of the School, assets exceeded liabilities by \$4,837,630 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2012 and 2011 follows:

	2012	2011
Cash	\$ 1,689,523	\$ 344,709
Construction loan receivable	-	1,329,091
Due from Agencies	-	19,031
Capital Assets, net	6,287,105	5,213,849
Due from related party	-	400,000
Prepaid Expenses	274,916	273,229
Total Assets	<u>\$ 8,251,544</u>	<u>\$ 7,579,909</u>
Accounts payable & accrued liabilities	311,886	1,290,295
Long term debt	3,102,028	1,329,091
Total Liabilities	<u>\$ 3,413,914</u>	<u>\$ 2,619,386</u>
Invested in Capital Assets, net	3,320,089	3,884,758
Restricted	427,954	384,819
Unrestricted	1,089,586	690,946
Total Net Assets	<u>\$ 4,837,630</u>	<u>\$ 4,960,523</u>

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

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
REVENUES		
Program Revenues		
Federal Sources	\$ 140,216	\$ 138,960
Capital Outlay Funding	712,325	804,823
Lunch program	362,543	377,008
Charges for Services	1,011,613	480,034
General Revenues		
FTE nonspecific revenues	6,328,248	5,867,591
Other Revenue	4,127	27,969
Total Revenues	<u>\$ 8,559,073</u>	<u>\$ 7,696,385</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 3,998,013	\$ 3,064,991
Instructional Staff Training Services	14,715	11,592
Board	24,500	17,540
School Administration	941,967	974,013
Facilities Acquisition	224,286	195,666
Fiscal Services	175,054	146,699
Food Services	308,703	312,426
Central Services	215,986	157,571
Operation of Plant	2,454,931	2,044,468
Maintenance of Plant	320,645	391,097
Pupil Transportation services	3,166	-
Total Expenses	<u>8,681,967</u>	<u>7,316,063</u>
Decrease in Net Assets	(122,894)	380,322
Net Assets at Beginning of Year	<u>4,960,523</u>	<u>4,580,201</u>
Net Assets at End of Year	<u>\$ 4,837,630</u>	<u>\$ 4,960,523</u>

Student enrollment increased for 2012 by approximately 189 students. As a result, Doral Academy High School's revenues and expenses increased by \$862,688 and \$1,365,904, respectively, in the current year. Although there was a student increase, FTE revenue did not increase significantly. Due to lower state tax revenues resulting from an economic recession, for the 2011-2012 school year, the State reduced public school funding per student. For the 2012-2013 school year, the State appropriated a per student funding amount that is slightly larger than the amount appropriated for the 2011-2012 school year.

School Location and Lease of Facility

The School leases a facility located at 11100 NW 27th Street and is also approved to operate at 2601 NW 112 Ave, Doral Florida, 33172.

Capital Improvement Requirements

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

School Enrollment

This past year, the School had approximately 1,167 students enrolled in grades nine through twelve.

Accomplishments

In 2012, Doral Academy High School successfully completed its eleventh year of operation, and earned a letter grade of “A” for the sixth consecutive year. Based on the points the school received under the State of Florida Accountability Program, Doral Academy High School ranked as one of the highest-performing public high schools in all of Miami-Dade County, and among the **top 10% of all public high schools in Florida**.

For the 5th consecutive year, Doral High was listed as one of the “Best High Schools in America” by U.S. News & World Report magazine, as well as one of the “Top Public High Schools in America” by Newsweek magazine. It was also ranked nationally as a “Top High School” by the Washington Post. Furthermore, Doral Academy High School’s graduation rate of 98% in 2012 far exceeded the state and national average graduation rates for Hispanics. The graduating class of 2012 combined received over \$2.5 million in financial aid and scholarships.

This past year, Doral High students were recognized for various accomplishments:

- The Academic Science Bowl Team made it to the top 5 teams competing in the US Department of Energy National Science Bowl Florida regional at FIU.
- The Doral Cheerleading team placed in the top 10 out of over 20 teams at their regional competition.
- The AP environmental science class was asked to participate in a habitat restoration project to plant native trees on Elliott Key to save the Schaus Swallowtail Butterfly, which has been deemed an endangered endemic species to Miami-Dade County by the National Forest Service, as well as FIU PhD candidates studying the species.
- The Boys Cross Country team qualified for the state championship for the first time in the school’s history and placed in the top 15 in the State. They also won the District Championship.
- The Girls Cross Country team won the district championship for the first time in school history.
- The Boys team finished in the top 15 in the state
- In Track and Field, a Doral High student finished 5th in the State in the 3200 meter race, earning a state medal.
- The National Honors Society offered free tutoring throughout the year.
- A Doral High student was named the State Champion in the 50M Breaststroke and earned a scholarship to the University of Connecticut, a Division I school.
- The Doral Yearbook received the 2012 Herff Jones Design Concept Award.

Doral Academy High School provides its students with a rigorous college preparatory curriculum, through a model academic environment which includes a unique Blended Learning component, as well as strong partnerships with institutions of higher learning such as the new Doral College. Doral High also offers a rich extra-curricular program of activities, including team sports and clubs. This past year, Doral completed facilities renovations which include an annex with additional classroom facilities, labs, and production rooms to accommodate the growing student population.

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 \$1,625,552. The fund balance unassigned and available for spending at the School's discretion is \$949,682. 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 \$ 6,287,105 (net of accumulated depreciation). This investment in capital assets includes improvements, furniture, fixtures and computer equipment. As of June 30, 2012, the School had debt totaling \$3,102,028 relating to current construction in progress of new building.

Governmental Fund Budget Analysis and Highlights

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

	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Capital Outlay Funding	\$ 469,800	\$ 712,500	\$ 712,325
Federal Sources	200,000	238,000	140,216
Lunch program	300,000	360,000	362,543
Usage fees and lunch fees	1,277,563	1,000,000	1,011,613
General Revenues			
FTE Nonspecific Revenues	6,198,298	6,220,000	6,328,248
Other Revenues	7,000	4,000	4,127
Total Revenues	\$ 8,452,661	\$ 8,534,500	\$ 8,559,073
CURRENT EXPENSES			
Component Unit Activities:			
Instruction	3,400,000	3,405,000	\$ 3,401,261
Instructional Staff Training Services	15,000	15,000	14,715
Board	28,000	28,000	24,500
School Administration	940,000	940,000	933,761
Fiscal Services	175,000	180,000	175,054
Facilities acquisition	10,000	7,500	4,430
Food Services	300,000	305,000	303,398
Central Services	220,000	220,000	215,986
Operation of Plant	2,011,364	2,297,500	2,289,812
Maintenance of Plant	315,000	315,000	299,372
Total Current Expenses	\$ 7,414,364	\$ 7,713,000	\$ 7,662,289

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.

Doral Academy High School
(A charter school under Doral Academy, Inc.)
Statement of Net Assets
June 30, 2012

Assets

Current assets:

Cash	\$ 1,689,523
Prepaid expenses	274,916
	<u>1,964,439</u>

Capital assets, depreciable	8,943,998
Less: accumulated depreciation	(2,656,893)
	<u>6,287,105</u>

Total Assets \$ 8,251,544

Liabilities and Net assets

Current liabilities:

Accrued payroll liability	\$ 300,539
Accounts payable	11,348
Current portion of long term-debt	135,012
	<u>446,899</u>

Long term debt	2,967,016
Total Liabilities	<u>3,413,915</u>

Net assets:

Invested in capital assets, net of related debt	3,320,089
Restricted by lease agreement	427,954
Unrestricted	1,089,586
Total Net Assets	<u>4,837,629</u>

Total Liabilities and Net Assets \$ 8,251,544

See accompanying notes to the basic financial statements

Doral Academy High School
(A charter school under Doral Academy, Inc.)
Statement of Activities
For the year ended June 30, 2012

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					-
Instruction	\$ 3,998,013	\$ -	\$ 140,216	\$ -	\$ (3,857,797)
Instructional staff training	14,715	-	-	-	(14,715)
Board	24,500	-	-	-	(24,500)
School administration	941,967	-	-	-	(941,967)
Facilities acquisition	224,286	-	-	-	(224,286)
Fiscal services	175,054	-	-	-	(175,054)
Food services	308,703	130,027	232,516	-	53,840
Central services	215,986	-	-	-	(215,986)
Pupil transportation services	3,166	-	-	-	(3,166)
Operation of plant	2,454,931	1,011,613	-	712,325	(730,993)
Maintenance of plant	320,645	-	-	-	(320,645)
Total governmental activities	<u>8,681,966</u>	<u>1,141,640</u>	<u>372,732</u>	<u>712,325</u>	<u>(6,455,269)</u>
					FTE nonspecific revenues 6,328,248
					Interest and other revenue 4,127
					Change in net assets (122,894)
					Net assets, beginning 4,960,523
					<u>Net assets, ending \$ 4,837,629</u>

See accompanying notes to the basic financial statements

Doral Academy High School
(A charter school under Doral Academy, Inc.)
Balance Sheet - Governmental Funds
June 30, 2012

	General Fund	Special	Total Governmental
		Revenue Fund	Funds
<u>Assets</u>			
Cash	\$ 1,689,523	\$ -	\$ 1,689,523
Prepaid expenses	274,916	-	274,916
Total Assets	<u>\$ 1,964,439</u>	<u>\$ -</u>	<u>\$ 1,964,439</u>
<u>Liabilities</u>			
Salaries and wages payable	\$ 300,539	\$ -	\$ 300,539
Accounts payable	11,348	-	11,348
Total Liabilities	<u>311,887</u>	<u>-</u>	<u>311,887</u>
<u>Fund balance</u>			
Nonspendable, not in spendable form	274,916	-	274,916
Restricted	427,954	-	427,954
Unassigned	949,682	-	949,682
	<u>1,652,552</u>	<u>-</u>	<u>1,652,552</u>
Total Liabilities and Fund Balance	<u>\$ 1,964,439</u>	<u>\$ -</u>	<u>\$ 1,964,439</u>

See accompanying notes to the basic financial statements

Doral Academy High School
(A charter school under Doral 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 \$ 1,652,552

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

Capital assets of \$8,943,998 net of accumulated depreciation of \$2,656,893 used in governmental activities are not financial resources and therefore are not reported in the fund. 6,287,105

Long term liability which is not due and payable in the current period and, therefore, is not reported in the governmental funds. (3,102,028)

Total Net Assets - Governmental Activities \$ 4,837,629

See accompanying notes to the basic financial statements

Doral Academy High School
(A charter school under Doral Academy, Inc.)
Statement of Revenues, Expenditures and Changes in Fund Balance -Governmental Funds
For the year ended June 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State capital outlay funding	\$ -	\$ 712,325	\$ 712,325
State passed through local	6,328,248	-	6,328,248
Federal grants through state and local	-	140,216	140,216
Federal school lunch program	-	232,516	232,516
Usage fees and lunch fees	1,011,613	130,027	1,141,640
Interest and other revenue	4,127	-	4,127
Total Revenues	7,343,988	1,215,084	8,559,072
Expenditures:			
Current			
Instruction	3,261,045	140,216	3,401,261
Instructional staff training services	14,715	-	14,715
Board	24,500	-	24,500
School Administration	933,761	-	933,761
Facilities acquisition	4,430	-	4,430
Fiscal services	175,054	-	175,054
Food services	-	303,398	303,398
Central services	215,986	-	215,986
Operation of plant	1,577,487	712,325	2,289,812
Maintenance of plant	299,372	-	299,372
Capital Outlay:			
Other capital outlay	1,558,287	134,646	1,692,933
Debt Service:			
Redemption of Principal	93,173	-	93,173
Total Expenditures	8,157,810	1,290,585	9,448,395
Excess (deficit) of revenues over expenditures	(813,822)	(75,501)	(889,323)
Other financing sources (uses):			
Transfers in and (out)	(75,501)	75,501	-
Proceeds from issuance of long term debt	1,866,110	-	1,866,110
Net change in fund balance	976,787	-	976,787
Fund Balance at beginning of year	675,765	-	675,765
Fund Balance at end of year	<u>\$ 1,652,552</u>	<u>\$ -</u>	<u>\$ 1,652,552</u>

See accompanying notes to the basic financial statements

Doral Academy High School
(A charter school under Doral Academy, Inc.)

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

Net Change in Fund Balance - Governmental Funds \$ 976,787

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 net capital outlays of \$1,692,934 exceed depreciation expense of \$619,677. 1,073,256

Decrease in long term receivables was awarded as a grant in the current year and recorded in the government wide financial statements but has not impact on the governmental funds. (400,000)

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 \$1,866,110 exceeded repayments of \$93,173 in the current period. (1,772,937)

Change in Net Assets of Governmental Activities \$ (122,894)

See accompanying notes to the basic financial statements

Doral Academy High School
(A charter school under Doral Academy, Inc.)
Statement of Net Assets - Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
<u>Assets</u>	
Cash	\$ 33,592
Total Assets	<u>\$ 33,592</u>
<u>Liabilities</u>	
Due to students and clubs	\$ 33,592
Total Liabilities	\$ 33,592
<u>Net assets</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

Note 1 – Organization and Operations

Doral Academy High School (the "School"), is a charter school under The Doral Academy, Inc., (formerly under Doral College Inc.) a not-for-profit corporation organized in the State of Florida. The governing body of the School is the board of directors of The Doral 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 former charter between the district and Doral College, Inc. was amended and renewed under Doral Academy, Inc. for the remainder of the term. The current charter expires on June 30, 2026 and is renewable for a term pursuant to law and/or by a written agreement between the district and the school. 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 and is located in Doral, Florida for students from ninth through twelfth grades and is funded by the District.

These financial statements are for the year ended June 30, 2012, when approximately 1,167 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	39 Years
Textbooks	3 Years
Furniture, Equipment and Software	3 - 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. 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

The Doral 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	Reclassification	Balance 06/30/12
Capital Assets:				
Improvements	\$ 1,876,082	\$ 1,372,729	\$ 2,874,387	\$ 6,123,198
Software	128,215	4,521	-	132,736
Furniture, equipment and textbooks	2,426,853	261,211		2,688,064
Total Capital Assets	<u>4,431,150</u>	<u>1,638,461</u>	<u>2,874,387</u>	<u>8,943,998</u>
Less Accumulated Depreciation:				
Improvements	(449,575)	(226,655)	-	(676,230)
Software	(46,549)	(53,287)	-	(99,836)
Furniture, equipment and textbooks	(1,541,093)	(339,735)	-	(1,880,827)
Total Accumulated Depreciation	<u>(2,037,217)</u>	<u>(619,677)</u>	<u>-</u>	<u>(2,656,893)</u>
Construction in progress	<u>2,819,916</u>	<u>54,471</u>	<u>(2,874,387)</u>	<u>-</u>
Capital Assets, net	<u>\$ 5,213,849</u>	<u>\$ 3,947,642</u>	<u>\$ -</u>	<u>\$ 6,287,105</u>

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	\$	196,710
School administration		8,205
Facilities acquisition		223,591
Food services		4,735
Operation of plant		165,163
Maintenance of plant		21,273
Total Depreciation Expense	\$	<u>619,677</u>

Note 4 –Management Agreement

Academica Dade, LLC, a professional charter school management company, provides management and administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting. The agreement between the School and the management company calls for a fee of \$450 per full time equivalent (FTE) student per year. The agreement is with Doral Academy, Inc. for a period of five years, through June 30, 2014, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2012, the School incurred approximately \$525,000 in management fees. In addition, the School had prepaid management fees of approximately \$43,600 as of June 30, 2012.

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 2012, the School charged Doral Performing Arts and Entertainment Academy (a charter school under The Doral Academy, Inc.) for the use of shared facilities, staff and other operating costs under a usage fee agreement. Total usage fees charged under the agreement totaled \$1,011,613. In addition, the School holds the student activities fund of Doral Performing Arts and Entertainment Academy (a charter school under Doral Academy, Inc.).

Note 5 –Related Party Transactions (continued)

On June 30, 2012, the Organization advanced \$400,000 under a recoverable grant agreement to Doral College, Inc. The purpose of the grant is for the College to develop a fully integrated dual enrollment program for the benefit of the School’s students. Under the terms of the grant, the Organization would repay the School in the event that the Organization experiences a surplus of its operating budget for any period ending on December 31, following the execution of the agreement.

The School’s lunch program is shared with various schools. Revenues and expenses related to such program have been allocated based on FTE equivalent for purposes of presentation in the financial statements.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 2% of the qualifying revenues of the School. For the year ended June 30, 2012, administrative fees withheld by the School District totaled \$75,259.

Note 6 – Long Term Debt

On April 11, 2011, the School entered into a construction loan agreement with Building Hope. A Charter School Facilities Fund (“Lender”) to construct a 36,000 square foot facility with 24 classrooms and three science labs, to reconfigure existing parking including new lighting and landscaping, and to purchase laboratory equipment. The lender has made a commitment to make a loan to the School for a maximum amount of \$5,000,000, to be evidenced by two promissory notes, the first for \$3,200,000 (Phase I) and the second for \$1,800,000 (Phase II).

Under the terms of the loan agreement and first promissory note, the loan shall bear interest from the date of each advance at an interest rate of seven percent (7%) until July 1, 2015, and thereafter shall bear interest at twelve percent (12%) until maturity. Interest only payments are to be made on the outstanding principal balance of the loan on the first of each month from the date of the first advance until the earlier of obtaining a certificate of occupancy for the property or September 1, 2011. Commencing the first payment date after the interest only period, and for the remainder of the term of the first note, payments of principal and interest on the outstanding principal balance of the loan, based on equal monthly principal and interest payments, are due and payable. All principal, interest, and unpaid costs shall be due and payable on the maturity date of July 1, 2017. There is no interest expense as of June 30, 2012.

Note 6 – Long Term Debt (continued)

The loan is collateralized, on a parity lien basis with the lien on the same collateral under the terms of the School’s lease agreement (see Note 8), by its pledged revenues, which includes all revenues collected by the School from the Florida Department of Education, the District, and all other sources. In addition, the loan is collateralized by all personal property related to or used in the operations at the School. In addition, the School is required to achieve certain financial performance objectives and financial covenants, as set forth in the loan agreement.

Future maturities of the first promissory note under the construction loan agreement are as follows as of June 30, 2012:

2013	\$	135,012
2014		144,773
2015		155,238
2016		120,730
2017		2,433,185
Total	\$	<u>2,988,938</u>

The following schedule provides a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance 07/01/11	Additions	Deletions	Balance 06/30/12
Construction loan	\$ 1,329,091	\$ 1,866,110	\$ 93,173	\$ 3,102,028

Note 7 – 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 \$1,689,523 and the respective bank balances totaled \$1,748,496.

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 8 – Commitments and Contingencies

The School entered into a lease and security agreement with School Development, LLC (the “Landlord”) for its 57,000 square feet building including all ancillary facilities, outdoor areas and other improvements. Presently, members of the Landlord are also stockholders of the company which is the sole owner of Academica Dade, LLC (See Note 4). Fixed initial annual payments under this agreement were based on a rate of \$23.15 per square footage of the building, which amounted to approximately \$1,319,550 adjusted annually based on the Consumer Price Index (CPI) plus additional property costs including repairs, maintenance and insurance. The agreement continues through August 2024 with an option to renew for an additional five-year term.

Under the agreement, the School must meet certain covenants and requirements, including a “Lease Payment Coverage Ratio” of not less than 1.10 to 1.00. In addition, the School is required under the terms of the lease agreements to maintain a reserve for property expenses such as repairs, maintenance, taxes and insurance equal to 5% of their gross revenues for the fiscal year. As of June 30, 2012, the required reserve was \$427,954, and is reflected as restricted on statement of net assets.

Finally, under this agreement the School has granted a first lien on its pledged revenues, which includes all revenues collected by the school from the Florida Department of Education, the District, and all other sources. For 2012, rent expense totaled \$1,651,763, out which approximately \$1,595,000 related to the facility lease. As of June 30, 2012, the School had prepaid approximately \$139,000 of rent expense.

With the Landlord’s consent, the School made additional improvements to the leased premises with its own funds, generally described as a cafeteria building and other improvements. The landlord has agreed upon expiration of the existing lease agreement to make a contribution to the School equal to the unamortized original cost of the tenant improvements, based on 39-year useful life.

Future minimum payments under these leases are as follows:

<u>Year</u>	
2013	\$1,591,475
2014	\$1,591,475
2015	\$1,591,475
2016	\$1,591,475
2017	\$1,591,475
2018-2022	\$7,957,377 (Total for five-year period)
2023-2024	\$3,182,951 (Total for three-year period)

Note 8 – Commitments and Contingencies (continued)

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 9 – Risk Management

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

Note 10 – Defined Contribution Retirement Plan

The School's personnel, who 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 \$19,750 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

Doral Academy High School
(A charter school under Doral 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	\$ 6,198,298	\$ 6,220,000	\$ 6,328,248
Usage fees	1,277,563	1,000,000	1,011,613
Interest and other revenues	7,000	4,000	4,127
Total Revenues	7,482,861	7,224,000	7,343,988
EXPENDITURES			
Current:			
Instruction	\$ 3,250,000	\$ 3,300,000	\$ 3,261,045
Training Services	15,000	15,000	14,715
Board	28,000	28,000	24,500
School Administration	940,000	940,000	933,761
Facilities Acquisition & Construction	10,000	7,500	4,430
Fiscal Services	175,000	180,000	175,054
Central Services	220,000	220,000	215,986
Operation of Plant	1,541,564	1,585,000	1,577,487
Maintenance of Plant	315,000	315,000	299,372
Total Current Expenditures	6,494,564	6,590,500	6,506,350
Excess of Revenues Over Current Expenditures	988,297	633,500	837,638
Capital Outlay:			
Other Capital Outlay	500,000	1,560,000	1,558,287
Debt Service:			
Redemption of Principal		95,000	93,173
	500,000	1,655,000	1,651,460
Total Expenditures	6,994,564	8,245,500	8,157,810
Excess of Revenues Over Expenditures	488,297	(1,021,500)	(813,822)
Other financing sources:			
Transfers in (out)	-	48,000	(75,501)
Proceeds from issuance of long term debt		1,860,000	1,866,110
Net change in fund balance	488,297	886,500	976,787
Fund Balance at beginning of year	675,765	675,765	675,765
Fund Balance at end of year	\$ 1,164,062	\$ 1,562,265	\$ 1,652,552

Doral Academy High School
(A charter school under Doral 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	\$ 469,800	712,500	\$ 712,325
Federal grants through state and local	200,000	238,000	140,216
Federal school lunch program	200,000	230,000	232,516
Lunch fees	100,000	130,000	130,027
Total Revenues	<u>969,800</u>	<u>1,310,500</u>	<u>\$ 1,215,084</u>
EXPENDITURES			
Current:			
Instruction	\$ 150,000	\$ 105,000	\$ 140,216
Food Services	300,000	305,000	303,398
Operation of Plant	469,800	712,500	712,325
Total Current Expenditures	<u>919,800</u>	<u>1,122,500</u>	<u>1,155,939</u>
Excess of Revenues Over Current Expenditures	<u>50,000</u>	<u>188,000</u>	<u>59,145</u>
Capital Outlay:			
Other Capital Outlay	<u>50,000</u>	<u>140,000</u>	<u>134,646</u>
Total Expenditures	<u>969,800</u>	<u>1,262,500</u>	<u>1,290,585</u>
Excess of Revenues Over Expenditures	-	48,000	(75,501)
Other financing sources:			
Transfers in (out)	-	(48,000)	75,501
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Board of Directors of
Doral Academy High School
Doral, Florida

We have audited the financial statements of the governmental activities and each major fund of Doral Academy High School (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.

A handwritten signature in black ink, appearing to read "HRP Gavin, LLP". The signature is stylized and cursive.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2012

MANAGEMENT LETTER

Board of Directors of
Doral Academy High School
Doral, Florida

We have audited the financial statements of the governmental activities and each major fund of Doral Academy High 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; 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.

No significant findings or recommendations were made in the preceding annual financial audit report.

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

ML 2012-01 – EDUCATION JOBS FUND – SPECIAL REVENUE FUNDS

Observation

We noted that Education Jobs Fund (EJF) revenues and expenditures were not included in the Special Revenue Fund.

Recommendation

EJF monies are Federal funds that meet the definition of funds that should be included in the Special Revenue Funds.

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

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

4. Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement accounts, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred, or are likely to have occurred, and (2) deficiencies in internal control that are not significant deficiencies.

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

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

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

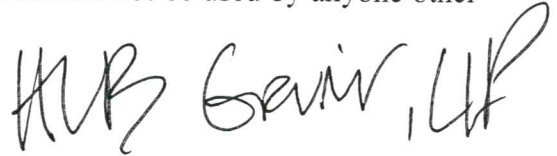
6. Section 10.854(1)(e)2, Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met.

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

7. Pursuant to Sections 10.854(1)(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.

A handwritten signature in black ink that reads "HUB Gavin, CPA". The signature is written in a cursive, somewhat stylized font.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2012

Doral Academy Charter High School

August 31, 2012

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

RE: MANAGEMENT'S RESPONSES TO AUDITOR'S RECOMMENDATION

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

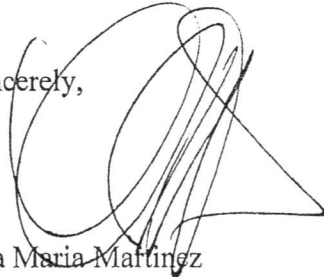
ML 2012-01 – Recommendation

EJ monies are Federal funds that meet the definition of funds that should be included in the Special Revenue Funds.

Management Response

Although Management recorded revenues separately in its own fund, Management will take additional steps to ensure that all expenses are also recorded in a separate fund.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ana Maria Martinez', written over a large, circular scribble.

Ana Maria Martinez
Authorized Signor for Doral Academy, Inc.