

Pinecrest Preparatory Academy Charter High School
(A charter school under
Pinecrest Academy, Inc.)
Miami, 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	
Notes to the Basic Financial Statements	16-25	
Required Supplementary Information:		
Budgetary comparison schedules.	26-27	
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		28-29
Management Letter	30-32	
Management Response	33	

Pinecrest Preparatory Academy Charter High School
14901 SW 42 St.
Miami, FL 33185

2011-2012

BOARD OF DIRECTORS

Judith Marty, Chair and President
Shannie Sadesky, Vice-Chair
Erin Demirjian
Jennifer Esquijarosa
Juan Molina
Blanca Fernandez-Quevedo
Jessica Pujals

SCHOOL ADMINISTRATION

Betty Nunez, Principal

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pinecrest Preparatory Academy Charter High School
Miami, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Pinecrest Preparatory Academy Charter High School (the "School"), a charter school under Pinecrest Academy, Inc., a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2012, which collectively comprises the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

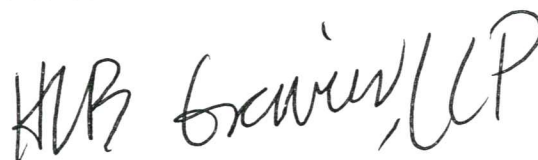
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Pinecrest Preparatory Academy Charter 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 Pinecrest Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Pinecrest Academy, Inc. as of June 30, 2012 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Pinecrest Preparatory Academy Charter 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 26 through 27 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 that reads "HUB Brown, CPA". The signature is written in a cursive, somewhat stylized font.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2012

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

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

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2012 by \$635,024 (net assets).
2. At year-end, the School had current assets of \$474,630.
3. The net assets of the School increased by \$87,177 during the year.
4. The unassigned fund balance at year end was \$346,109.

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 – 15 of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 16 – 25 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Assets exceeded liabilities by \$635,024 at the close of the fiscal year. As noted earlier, net assets may serve over time as a useful indicator of a charter school's financial position. A summary of the School's net assets as of June 30, 2012 and 2011 follows:

	2012	2011
Cash	\$ 448,963	\$ 266,473
Due from Other Agencies	-	25,195
Prepaid Expenses	25,667	15,605
Capital Assets and Intangible Costs	683,261	783,942
Total Assets	\$ 1,157,891	\$ 1,091,215
Accrued Liabilities and Payables	102,852	57,710
Due to Other Schools	126,145	387,440
Leasehold improvement payable	293,870	98,218
Total Liabilities	\$ 522,867	\$ 543,368
Invested in Capital Assets and Intangible Costs, net of related debt	263,248	298,288
Unrestricted	371,776	249,559
Total Net Assets	\$ 635,024	\$ 547,847

At the end of the fiscal year, the School is able to report continued positive balances in the categories of net assets with a net increase for the year

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

	2012	2011
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 64,748	\$ 45,554
Capital Outlay Funding	114,716	97,717
General Revenues		
FTE nonspecific revenues	1,196,805	969,781
Charges for services	15,351	10,246
Other Revenues	-	142
Total Revenues	<u>\$ 1,391,620</u>	<u>\$ 1,123,440</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 678,711	\$ 386,658
Instructional Staff Training Services	1,422	713
Board	10,713	12,963
School Administration	302,351	179,532
Fiscal Services	33,300	24,075
Facilities Acquisition and construction	25,642	22,648
Food Services	28,739	15,589
Central Services	37,882	26,766
Operation of Plant	174,657	161,404
Maintenance of Plant	11,026	8,728
Total Expenses	<u>1,304,443</u>	<u>839,076</u>
Increase in Net Assets	87,177	284,364
Net Assets at Beginning of Year	547,847	263,483
Net Assets at End of Year	<u>\$ 635,024</u>	<u>\$ 547,847</u>

The School’s revenue and expenditures increased by \$268,180 and \$465,367, respectively, as a result of an increase in student enrollment, which significantly impacted FTE revenues. Student enrollment increased by approximately 107 Students. The School had an increase in its net assets of \$87,177 for the year.

Lease of Facility

The School leases a facility located at 14901 SW 42nd Street, Miami FL, 33185.

Capital Improvement Requirements

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

Accomplishments

In 2012, Pinecrest Preparatory Academy High School successfully completed its 3rd year of operations. The school continues to move forward with its vision to perpetuate a community of learners in which the pursuit of Honor, High Standards, and Intellectual Growth is complemented by a concern for the physical, cultural and character development of each student. Through its academic rigor, Pinecrest promotes a sense of identity, community, personal integrity and values that prepare students to become effective leaders.

Pinecrest Prep High provides its students with a rigorous curriculum. All students are afforded the opportunity to enroll in Dual Enrollment and Advance Placement Courses. Students are also offered various “Academies” to choose from when enrolling in courses:

- **Academy of Business and Technology:** The Academy of Business and Technology is designed to prepare graduates as viable competitors in the business world and for post-secondary educational opportunities. The instructional program begins in the middle grades with an introduction to technology applications. Exploratory experiences in business technologies are also included in the middle school curriculum. Academy courses include:
- **Academy of International Relations:** The Academy of International Relations is designed to provide a rigorous course of study in a multicultural environment where the knowledge and skills necessary to succeed in a global community are promoted. The curriculum focuses on the study of foreign language, international relations, and social sciences.
- **Academy of Environmental Studies:** The Academy of Environmental Studies is designed to create socially empowered agents of change who will work towards the nourishment and restoration of healthy lifestyles, land, community, and schools through service, education, and outreach.
- **Academy of Pre-Medicine:** The Academy of Pre-Medicine is designed to introduce students to the diverse fields of medicine. Students will learn medical terminology, fundamental principles of medicine, and its application in our society. They will learn about the job market within the industry and how to best prepare themselves for pursuing a career in the medical field.
- **Academy of Performing Arts & Mass Communication:** The Academy of Performing Arts & Mass Communication provides an educational program which cultivates in students the discipline, dedication, and commitment necessary to achieve excellence in the arts and to inspire students to become the artist and audience of the future through academic, artistic, and aesthetic education. The Academy strives to create a scholarly atmosphere for talented young performers and writers.

Extra-curricular activities, including team sports, clubs and cultural events, also enhance the school’s academic program. This past year, Pinecrest Prep High held its first classical music concert presented by The Coral Gables Alhambra Orchestra. It also hosted a live art exhibit by Tibetan Artists. The school’s Art students also received the distinction of “Finalist in the Scholastic Art and Writing National Awards.”

Pinecrest Preparatory Academy Charter High School is accredited by AdvancEd (formerly known as the Southern Association of Colleges and Schools (SACS).

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 \$371,776. The fund balance unassigned and available for spending at the School's discretion is \$346,109. 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 \$647,705 (net of accumulated depreciation). This investment in capital assets includes building and improvements and furniture, fixtures, computer equipment and textbooks. As of June 30, 2012, the School had \$293,870 in long term debt related to leasehold improvements.

Governmental Fund Budget Analysis and Highlights

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Lunch Program	\$ 40,000	\$ 56,000	\$ 56,669
Capital Outlay Funding	115,425	115,000	114,716
Federal Sources	20,000	23,000	23,430
General Revenues			
FTE Nonspecific Revenues	1,522,756	1,190,000	1,196,805
Total Revenues	<u>\$ 1,698,181</u>	<u>\$ 1,384,000</u>	<u>\$ 1,391,620</u>
CURRENT EXPENDITURES			
Component Unit Activities:			
Instruction	770,000	607,000	595,440
Instructional Staff Training Services	15,000	12,000	10,713
Board	2,500	2,000	1,422
School Administration	360,000	310,000	302,221
Facilities Acquisition			
Fiscal Services	45,000	35,000	33,300
Food Services	30,000	30,000	28,739
Central Services	45,000	40,000	37,882
Operation of Plant	179,645	175,000	164,247
Maintenance of Plant	20,000	15,000	11,026
Total Current Expenditures	<u>\$ 1,467,145</u>	<u>\$ 1,226,000</u>	<u>\$ 1,184,990</u>

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC 6340 Sunset Drive, Miami, Florida 33143.

Pinecrest Preparatory Academy Charter High School
(A charter school under Pinecrest Academy, Inc.)

Statement of Net Assets
June 30, 2012

Assets

Current assets:

Cash	\$ 448,963
Prepaid expenses	25,667
	<hr/>
	474,630

Capital assets, depreciable	904,052
Less: accumulated depreciation	(256,345)
	<hr/>
	647,707

Intangible costs	63,594
Less: accumulated amortization	(28,038)
	<hr/>
	35,556

Total Assets	<hr/> <hr/>
	\$ 1,157,893

Liabilities and Net assets

Current liabilities:

Salaries and wages payable	\$ 47,543
Accounts payable	55,311
Current portion of leasehold improvement payable	141,058
	<hr/>
	243,912

Leasehold improvements payable	152,812
Due to other schools	126,145
Total Liabilities	<hr/>
	522,869

Net assets:

Invested in capital assets, net of related debt	263,248
Unrestricted	371,776
Total Net Assets	<hr/>
	635,024

Total Liabilities and Net Assets	<hr/> <hr/>
	\$ 1,157,893

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

Pinecrest Preparatory Academy Charter High School
(A charter school under Pinecrest Academy, Inc.)

Statement of Activities
For the year ended June 30, 2012

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 678,711	\$ -	\$ 23,430	\$ -	\$ (655,281)
Instructional staff training	1,422	-	-	-	(1,422)
Board	10,713	-	-	-	(10,713)
School administration	302,351	-	-	-	(302,351)
Facilities acquisition	25,642	-	-	-	(25,642)
Fiscal services	33,300	-	-	-	(33,300)
Food services	28,739	15,351	41,318	-	27,930
Central services	37,882	-	-	-	(37,882)
Operation of plant	174,657	-	-	114,716	(59,941)
Maintenance of plant	11,026	-	-	-	(11,026)
Total governmental activities	<u>1,304,443</u>	<u>15,351</u>	<u>64,748</u>	<u>114,716</u>	<u>(1,109,628)</u>
					FTE nonspecific revenues
					<u>1,196,805</u>
					Change in net assets
					87,177
					Net assets, beginning
					<u>547,847</u>
					Net assets, ending
					<u>\$ 635,024</u>

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

Pinecrest Preparatory Academy Charter High School
(A charter school under Pinecrest Academy, Inc.)

Balance Sheet - Governmental Funds
June 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>Assets</u>			
Cash	\$ 448,963	\$ -	\$ 448,963
Prepaid expenses	25,667	-	25,667
Total Assets	<u>\$ 474,630</u>	<u>\$ -</u>	<u>\$ 474,630</u>
<u>Liabilities</u>			
Accounts payable	\$ 55,311	\$ -	\$ 55,311
Salaries and wages payable	47,543	-	47,543
Total Liabilities	<u>102,854</u>	<u>-</u>	<u>102,854</u>
<u>Fund balance</u>			
Nonspendable, not in spendable form	25,667	-	25,667
Unassigned	346,109	-	346,109
	<u>371,776</u>	<u>-</u>	<u>371,776</u>
Total Liabilities and Fund Balance	<u>\$ 474,630</u>	<u>\$ -</u>	<u>\$ 474,630</u>

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

Pinecrest Preparatory Academy Charter High School
(A charter school under Pinecrest Academy, Inc.)

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

Total Fund Balance - Governmental Funds \$ 371,776

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

Capital assets of \$904,052 net of accumulated depreciation of \$256,345 used in governmental activities are not financial resources and therefore are not reported in the fund. 647,707

Intangible costs of \$63,594 net of accumulated depreciation of \$28,038 used in governmental activities are not financial resources and therefore are not reported in the fund. 35,556

Long Term liabilities of \$293,870 were not due and payable in the current period and, therefore, are not reported in the funds. (293,870)

Advance to other charter school used in governmental activities are not financial resources and therefore are not reported in the fund. (126,145)

Total Net Assets - Governmental Activities \$ 635,024

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

Pinecrest Preparatory Academy Charter High School
(A charter school under Pinecrest Academy, Inc.)

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

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State capital outlay funding	\$ -	\$ 114,716	\$ 114,716
State passed through local	1,196,805	-	1,196,805
Federal lunch program	-	41,318	41,318
Student lunch fees	-	15,351	15,351
Federal sources	-	23,430	23,430
Total Revenues	1,196,805	194,815	1,391,620
Expenditures:			
Current			
Instruction	578,630	16,810	595,440
Board	10,713	-	10,713
Instructional staff training	1,422	-	1,422
School administration	302,221	-	302,221
Fiscal services	33,300	-	33,300
Food services	-	28,739	28,739
Central services	37,882	-	37,882
Operation of plant	49,531	114,716	164,247
Maintenance of plant	11,026	-	11,026
Capital Outlay:			
Other capital outlay	10,294	6,620	16,914
Debt Service:			
Repayment of leasehold improvements payable	96,078	-	96,078
Total Expenditures	1,131,097	166,885	1,297,982
Excess (deficit) of revenues over expenditures	65,708	27,930	93,638
Other financing sources (uses)			
Transfers in (out)	27,930	(27,930)	-
Increase in advances to related parties	28,579	-	28,579
Net change in fund balance	122,217	-	122,217
Fund Balance at beginning of year	249,559	-	249,559
Fund Balance at end of year	<u>\$ 371,776</u>	<u>\$ -</u>	<u>\$ 371,776</u>

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

Pinecrest Preparatory Academy Charter High School
(A charter school under Pinecrest 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 \$ 122,217

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$16,914, exceed depreciation expense of \$106,734. (89,820)

Governmental funds report outlays for long-term assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as amortization expense. This is the amount by which intangible costs incurred in the year of \$0, exceed amortization expense of \$12,719. (12,719)

The proceeds from long-term debt issuance provide current financial resources to government 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 repayments of \$96,078 exceeded proceeds of \$28,579. 67,499

Change in Net Assets of Governmental Activities \$ 87,177

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

Note 1 – Organization and Operations

Pinecrest Preparatory Academy Charter High School (the "School"), is a charter school under Pinecrest Academy, Inc., a not-for-profit corporation organized in the State of Florida. The governing body of the School is the board of directors of Pinecrest Academy, Inc., which also governs various other charter schools. The School operates under a charter granted by the sponsoring district, the District School Board of Miami-Dade County (the "District"). The current charter expires on June 30, 2018 and is renewable for an additional term pursuant to law and/or by a mutual written agreement between the School and the District. During the term of the charter, the District may terminate the charter if good cause is shown. The School is considered a component unit of such District. The School is located in Miami, Florida for students from ninth through twelfth grade and is funded by the District.

These financial statements are for the year ended June 30, 2012, when approximately 222 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.

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:

Building and Improvements	10- 20 Years
Furniture and Equipment	5 Years
Textbooks and Software	3 Years

Revenue Sources

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

Note 2 – Summary of Significant Accounting Policies (continued)

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

Compensated Absences

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

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

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

Income Taxes

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

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through August 30, 2012, which is the date the financial statements were available to be issued.

Note 2 – Summary of Significant Accounting Policies (continued)

Net assets and Fund balance classifications

Government-wide financial statements

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

- a) Invested in capital assets, net of related debt - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net assets - consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- 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. There are no restricted fund balances at year end
- 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 7/1/11	Additions	Deletions	Balance 06/30/12
Capital Assets:				
Building and Improvements	\$ 511,634	\$ 11,540	\$ (2)	\$ 523,172
Furniture, Equipment and Textbooks	217,474	5,374	-	222,848
Computer Equipment	158,030	-	-	158,030
Total Capital Assets	<u>887,138</u>	<u>16,914</u>	<u>(2)</u>	<u>904,050</u>
Less Accumulated Depreciation:				
Building and Improvements	(44,539)	(24,368)	314	(68,593)
Furniture, Equipment and Textbooks	(61,015)	(49,739)	917	(109,837)
Computer Equipment	(45,916)	(32,627)	628	(77,915)
Total Accumulated Depreciation	<u>(151,470)</u>	<u>(106,734)</u>	<u>1,859</u>	<u>(256,345)</u>
Capital Assets, net	<u>\$ 735,668</u>	<u>\$ (89,820)</u>	<u>\$ 1857</u>	<u>\$ 647,705</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	\$	70,552
School Administration		130
Facilities acquisition		25,642
Operation of plant		10,410
Total Depreciation Expense	\$	<u>106,734</u>

Note 4 – Intangible Asset

The school capitalized a total of \$63,594 of legal fees in connection with services provided to prepare its facility for use. This amount is being amortized using the straight-line method for the term of five years. For the year ended June 30, 2012, the School recorded \$12,719 in amortization expense relating to the asset.

Note 5 –Management Agreement

Academica Dade, LLC, a professional charter school management company, provides management and administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting. The agreement between the School and the management company calls for a fee of \$450 per full time equivalent (FTE) student per year. The agreement is with Pinecrest Academy, Inc. for a period of five year, through June 30, 2016, 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 \$99,900 in management fees. In addition, the School had prepaid management fees of approximately \$8,550 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 6 Related Party Transactions

The School’s facility is shared with Pinecrest Preparatory Academy Middle School (a charter schools under Pinecrest Academy, Inc.). Management allocates a proportionate share of leases, salaries, lunch receipts, food and supplies, and other expenses to each school individually based on student enrollment and usage of facilities and staff to these schools and other schools operated by Pinecrest Academy, Inc. In addition, the School’s student activities internal fund is held by Pinecrest Academy Middle School.

The school entered into Promissory Note Agreement with Pinecrest Academy Middle School totaling \$387,440. The note is non-interest bearing and matures during the fiscal year ending June 30, 2012. As of June 30, 2012, \$126,145 was outstanding.

Future maturity of the promissory note under the agreement is as follows as of June 30, 2012:

2014 \$ 126,145

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
Pinecrest Academy Middle School	\$ 387,440	\$ 28,579	\$ 289,874	\$ 126,145

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 5% of the qualifying revenues of the School. For the year ended June 30, 2012 administrative fees withheld by the School District totaled \$58,619.

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 \$448,963 and the respective bank balances totaled \$522,889.

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, Contingencies, and Leasehold Improvements Payable

The School currently shares its facility with Pinecrest Preparatory Academy Charter Middle School (a charter school under Pinecrest Academy, Inc.). The School entered into a lease agreement with Meadow View Shopping Center, LLC for its 51,874 square feet facility, including sidewalks, driveways and parking areas. Initial fixed annual payments under this agreement (based on \$20.14 per square foot) are approximately \$1,044,742 adjusted annually based on the Consumer Price Index (CPI) plus additional common area costs including utilities, maintenance and insurance. In addition, a portion of total rent will be applied to tenant improvements through the term of the lease. The agreement continues through July 31, 2014 with four additional five-year term options to renew, provided that the School is not in default under the lease, that the School has been continuously open throughout the lease term, and that it provides written notice 90 days prior to the expiration date.

The School currently shares its facility with Pinecrest Preparatory Academy Charter Middle School (a charter school under Pinecrest Academy, Inc.). Lease payments are allocated among the two schools based on enrollment and usage of facility. The allocation used for 2012, was 16% for the School and 84% for Pinecrest Preparatory Academy Charter Middle School.

For 2012, rent expense totaled \$94,514, out of which approximately \$93,000 pertained to the facility lease. In addition, the School had prepaid rent of approximately \$14,309 at the end of the year.

Future minimum payments for the full amount of the lease (to be shared with Pinecrest Preparatory Academy Middle School) are as follows:

<u>Year</u>	<u>Total</u>
2013	\$ 1,044,742
2014	1,044,742
	<u>\$ 2,089,484</u>

The School has capitalized leasehold improvements totaling approximately \$3,100,000 and has recorded a related long term liability for non interest bearing leasehold improvements payable to be paid over the remaining life of the lease. As of June 30, 2012, the School had a leasehold improvements payable of \$293,870.

Note 8 – Commitments, Contingencies, and Leasehold Improvements Payable (continued)

Future minimum maturities on leasehold improvements payable based on tenant invoice terms are as follows:

Year	Total
2013	\$ 141,058
2014	152,812
	<u>\$ 293,870</u>

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.

Note 10 – Defined Contribution Retirement Plan

The School's personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School provides a match of 50% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$1,781 for the year ended June 30, 2012. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by MassMutual Financial Group.

REQUIRED SUPPLEMENTARY INFORMATION

Pinecrest Preparatory Academy Charter High School
(A charter school under Pinecrest Academy, Inc.)

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

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 1,522,756	\$ 1,190,000	\$ 1,196,805
Total Revenues	<u>1,522,756</u>	<u>1,190,000</u>	<u>1,196,805</u>
EXPENDITURES			
Current:			
Instruction	750,000	590,000	578,630
Board	15,000	12,000	10,713
Instructional Staff Training	2,500	2,000	1,422
School Administration	360,000	310,000	302,221
Fiscal Services	45,000	35,000	33,300
Central Services	45,000	40,000	37,882
Operation of Plant	64,220	60,000	49,531
Maintenance of Plant	20,000	15,000	11,026
Total Current Expenditures	<u>1,301,720</u>	<u>1,064,000</u>	<u>1,024,725</u>
Excess of Revenues Over Current Expenditures	<u>221,036</u>	<u>126,000</u>	<u>172,080</u>
Debt Service:			
Repayment of leasehold improvements Payable	31,082	100,000	96,078
Capital Outlay:			
Other Capital Outlay	50,000	12,000	10,294
Total Capital Outlay and Debt Service Expenditures	<u>81,082</u>	<u>112,000</u>	<u>106,372</u>
Total Expenditures	<u>1,382,802</u>	<u>1,176,000</u>	<u>1,131,097</u>
Excess of Revenues Over Expenditures	139,954	14,000	65,708
Other financing sources			
Transfers in (out)	-	24,000	27,930
Increase in advances to related parties	-	28,000	28,579
Net change in fund balance	139,954	66,000	122,217
Fund Balance at beginning of year	<u>249,559</u>	<u>249,559</u>	<u>249,559</u>
Fund Balance at end of year	<u>\$ 389,513</u>	<u>\$ 315,559</u>	<u>\$ 371,776</u>

Pinecrest Preparatory Academy Charter High School
(A charter school under Pinecrest Academy, Inc.)

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

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	\$ 115,425	\$ 115,000	\$ 114,716
Federal lunch program	30,000	41,000	41,318
Student lunch fees	10,000	15,000	15,351
Federal sources	20,000	23,000	23,430
Total Revenues	<u>175,425</u>	<u>194,000</u>	<u>194,815</u>
EXPENDITURES			
Current:			
Instruction	20,000	17,000	16,810
Food	30,000	30,000	28,739
Operation of Plant	115,425	115,000	114,716
Total Current Expenditures	<u>165,425</u>	<u>162,000</u>	<u>160,265</u>
Excess of Revenues Over Current Expenditures	10,000	32,000	34,550
Capital Outlay:			
Other Capital Outlay	<u>10,000</u>	<u>8,000</u>	<u>6,620</u>
Total Expenditures	<u>175,425</u>	<u>170,000</u>	<u>166,885</u>
Excess of Revenues Over Expenditures	-	24,000	27,930
Other financing sources (uses)			
Transfers in (out)	<u>-</u>	<u>(24,000)</u>	<u>(27,930)</u>
Net change in fund balance	-	-	-
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
Pinecrest Preparatory Academy Charter High School
Miami, Florida

We have audited the financial statements of the governmental activities and each major fund of Pinecrest Preparatory Academy Charter 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 that reads "KOB Gennar, LLP". The signature is written in a cursive, somewhat stylized font.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2012

MANAGEMENT LETTER

Board of Directors of
Pinecrest Preparatory Academy Charter High School
Miami, Florida

We have audited the accompanying basic financial statements of Pinecrest Preparatory Academy Charter 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 have any such violations.

4. Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement accounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

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.

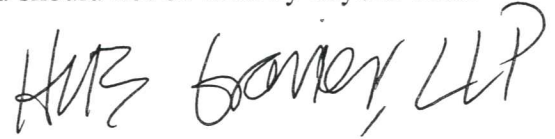
6. Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met.

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 "Hutz Bowen, LLP". The signature is written in a cursive, stylized font.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2012

Pinecrest Preparatory 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:

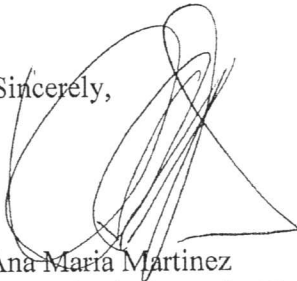
ML 2012-01 – Recommendation

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, loopy scribble.

Ana Maria Martinez
Authorized Signor for Pinecrest Academy, Inc.