

**CORAL REEF MONTESSORI ACADEMY
CHARTER SCHOOL, INC.
MIAMI, FLORIDA**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2007

CORAL REEF MONTESSORI ACADEMY

AUDIT COMPLETION CHECKLIST FOR CHARTER SCHOOLS AND OTHER ORGANIZATIONS MIAMI-DADE COUNTY PUBLIC SCHOOLS

The following information should be included in the yearly audit by the organizations submitting their annual external audit. For charter schools, the Auditor General of the State of Florida has issued rules that must be complied with (Chapter 10.850). **Please share this checklist with your external auditor.**

- X 1. The name and address of the school.
- X 2. The name of the principal running the school.
- X 3. Current list of the Board of Directors of the school.
- N/A 4. If the school is operated by a management company:
- N/A a. Name of the company
- N/A b. Address
- N/A c. List of principal officials
- N/A d. Contractual arrangement with the company, such as length of contract, terms, total fees paid for the year, etc. (This information should be included in the footnotes to the financial statements).
- X 5. The financial statements must include comparative totals for the prior year.
- X 6. The financial statements must comply with GASB 34 requirements, if applicable.
7. In the footnotes of the financial statements, the following should be disclosed:
- X a. Total school enrollment and grade configuration. If separate facilities are in operation, disclose name, address, and the enrollment and grade configuration at each facility.
- X b. Full disclosure of related party transactions, which should include the related party's name and address, and disclosure of the transaction, particularly if it is a loan that needs to be repaid (principal and interest paid and unpaid). If the debt is in arrears, disclosure of arrangements made to satisfy the debt.
- N/A c. Full disclosure of any other debts in arrears, particularly as they relate to the payment of withholding/social security taxes. Arrangements made to pay the debt(s).
- X d. For charter schools, full disclosure in the notes or as a separate schedule in the audit of the tangible personal property purchased with public funds. (It is a current contractual requirement for charter schools; however, we recommend that it be part of the audit).
- N/A e. If there is a deficit cash position or significant losses shown in the financial statements, full disclosure as to how the school plans to keep operating. The current assets should be sufficient to cover the current liabilities. The issue is whether sufficient resources would be available to maintain the school open. This issue may be addressed in the Management Letter.
- N/A f. Any disclosures of events subsequent to the balance sheet date that the auditor believes are important to the readers of the financial statements (e.g., significant contractual arrangements and financing or refinancing of debt, payment of past due taxes, etc.).
- N/A 8. If the audit is not submitted within the contractually required deadline, the Management Letter must comment on it with the appropriate response from the organization as to how it is going to be remedied in future audit submittals.
- X 9. If there are Management Letter findings, each finding must include a response by the organization. If there were prior audit findings, the current audit must include the status of action taken, i.e., whether the recommendation was fully implemented and, if not, when (date) it will be fully implemented. Note that quarterly reports may be required on a case-by-case basis depending on the severity or lack of resolution of the issues noted in the Management Letter.
- X 10. Please enter the following information about the Certified Public Accountant issuing the audit report:
- CPA's Name: **Verdeja & De Armas, LLP**
CPA's Address: **255 Alhambra Circle, Suite 424, Coral Gables, FL 33134**
License No.: **AD 64730** Status: **Active**
Expiration Date: **December 31, 2007**

In reference to this checklist, please refer any questions to the Office of Management and Compliance Audits, attention Mr. Norberto Ferradaz, CPA (305) 995-1318.

Please forward a copy of the completed checklist with your audit.

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CORAL REEF MONTESSORI ACADEMY
(A Charter School Under Coral Reef Montessori, Inc.)

10853 S.W. 216th Street
Miami, Florida 33016
(305) 255-0064

2006-2007

BOARD OF DIRECTORS

Ms. Elsie Hamler, President
Mr. Victor Golden, Vice-President
Ms. Geraldine Townsend, Secretary
Ms. Maria Singer
Mr. Ray Fautroy
Ms. Kim Thomas
Mr. Nestor Torres

SCHOOL ADMINISTRATION

Ms. Lucy Canzoneri-Golden, Co-Director
Ms. Juliet King, Co-Director

INDEPENDENT AUDITORS' REPORT

Board of Directors
Coral Reef Montessori Academy Charter School, Inc.
Miami, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Coral Reef Montessori Academy Charter School, Inc., (the "School") a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the School's 2006 financial statements and in our report dated August 25, 2006, we expressed unqualified opinions on the respective financial statements of the governmental activities and the general fund.

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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Coral Reef Montessori Academy Charter School, Inc., as of June 30, 2007 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, 2007, 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.

The Management's Discussion and Analysis (MD&A) on pages 4 through 9 and the Schedules of Revenues, Expenditures and Changes in Fund Balance—Budget to Actual on page 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


CERTIFIED PUBLIC ACCOUNTANTS

Miami, Florida
August 30, 2007

Management's Discussion and Analysis
Coral Reef Montessori Academy Charter School, Inc.
June 30, 2007

The corporate officers of Coral Reef Montessori Academy Charter School, Inc. (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2007.

Financial Highlights

1. The assets of the Charter School exceeded its liabilities at June 30, 2007 by \$730,815 (net assets).
2. At year-end, the School had current assets on hand of \$525,106.
3. The net assets of the School increased by \$239,256 during the year.
4. The School was able to refinance the prior existing mortgage on its facility, which terms provided for interest-only payments at a rate of 12.75%. The new mortgage requires payments of principal and interest bearing interest at 8.25%. This reduced the interest expense for the year.

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, 2007 are presented under GASB 34. 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 as soon as the underlying event resulting in the change 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. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government 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 budget for its general fund basis. 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 17 - 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a school’s financial position. In the case of the School, assets exceeded liabilities by \$ 730,815 at the close of the fiscal year. A summary of the School’s net assets as of June 30, 2007 and 2006 follows:

	2007	2006
Cash	\$ 360,903	\$ 21,956
Cash designated	90,000	90,000
Due from internal fund	10,362	-
Prepaid expenses and other assets	63,841	16,823
Capital Assets, net	<u>3,975,008</u>	<u>3,767,950</u>
Total Assets	<u>\$ 4,500,114</u>	<u>\$ 3,896,729</u>
Accounts and wages payable and accrued liabilities	\$ 97,264	\$ 55,170
Line of credit	-	50,000
Note Payable	<u>3,672,035</u>	<u>3,300,000</u>
Total Liabilities	<u>\$ 3,769,299</u>	<u>\$ 3,406,170</u>
Invested in Capital Assets, net of related debt	\$ 302,973	\$ 467,950
Unreserved, designated for capital projects	90,000	90,000
Unreserved	<u>337,842</u>	<u>(66,391)</u>
Total net assets	<u>\$ 730,815</u>	<u>\$ 491,559</u>

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, 2007 and 2006 follows.

	<u>2007</u>	<u>2006</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 12,152	\$ 80,700
Capital Grants and Contributions	247,952	109,911
Charges for Services	445,000	403,870
General Revenues		
Grants and Contribution	2,150,857	1,908,356
Fundraising and other revenue	15,759	19,462
Interest earnings	<u>6,963</u>	<u>4,132</u>
Total Revenues	<u>\$ 2,878,683</u>	<u>\$ 2,526,431</u>
EXPENSES		
Instructional services	\$ 1,319,089	\$ 1,300,988
Instructional staff training services	24,015	40,854
Board	8,800	8,000
General administration	-	7,826
School administration	336,959	307,499
Facilities acquisition and construction	22,582	422,667
Fiscal services	32,329	22,976
Food services	59,782	41,162
Central services	106,109	95,553
Pupil transportation services	32,020	28,745
Operation of plant	226,903	160,260
Maintenance of plant	8,389	19,248
Community services	-	7,051
Interest expense	374,094	-
Unallocated depreciation	<u>88,356</u>	<u>81,705</u>
Total Expenses	<u>\$ 2,639,427</u>	<u>\$ 2,544,534</u>
Increase (Decrease) in Net Assets	239,256	(18,103)
Net Assets at Beginning of Year	<u>491,559</u>	<u>509,662</u>
Net Assets at End of Year	<u>\$ 730,815</u>	<u>\$ 491,559</u>

The School's total revenues and expenses increased by \$352,252 and \$94,893, respectively in the current year in comparison to last year. The most significant increases in revenues were from increases in Capital Grants and Contributions and General Grants and Contributions, of \$138,041 and \$242,501, respectively. In addition, the School increased its cash by \$338,947. The School also increased its Net Assets by \$239,256 for the year. If the School computed its Change in Net Assets before Unallocated Depreciation (a non-cash expense) of \$88,356, its Change in Net Assets would be an increase in net assets of \$327,612.

The increase in expenditures is due to increases in the Operation of Plant and School Administration. The increase in the Operation of Plant is mainly due to higher insurance

costs. As a result of the refinancing of the School's prior existing mortgage on its facility, which terms provided for interest-only payments previously reported under the Facilities Acquisition and Construction as mortgage payments, the interest portion of the payments under the new mortgage were reported separately under the Interest Expense category, while the principal portion was reported in the Facilities Acquisition and Construction category accordingly.

Articulation Agreements

Students who have been identified as high risk in grades K-8 in either reading or math, will have a Progress Monitoring Plan (PMP) developed. The School will monitor these students closely by using state mandated diagnostic tools such as; DIBLES, MACES and DAR. The school will expand its tutorial program to target at risk students over the summer in grades 3 – 7. In addition, the tutoring program will expand by hiring three additional tutors for a total of four tutors, two in reading and two in math in grades 3 - 6. The School will follow the recommendation of the Department of Education in regards to the Middle School Reform Act. Thus, students in the Middle School who have been identified as needing remediation in reading will receive an additional intensive reading course, thereby increasing their instructional day by one hour. All at risk students, grades 3-8 will receive tutoring in both reading and math.

Accomplishments

The School received a "B" grade for the 2006 – 2007 school year. The school was only 10 points away from an "A". The lower grade was a district wide trend that was also apparent in the state. The administration believes the added science component for the 2006-2007 school year, was partly the cause of a lower grade. All teachers in grades kindergarten through eighth received extensive training for FCAT preparation in reading, writing and mathematics.

Despite the "B" grade many students increased their FCAT achievement, particularly the lower 25 percent students in math for grades 7th and 8th. Our third grade students improved in both reading and math from the previous year. Our writing scores improved from 90 percent scoring 3 and above in 2005-2006 to 96 percent in 2006-2007.

The school will continue to provide professional development for the teachers in reading, math and science. The school will purchase more research based science materials that will enhance students' learning in grades 5 and 8. The school has been chosen as a pilot school with the Educate Kids Program. This is a new and innovative way of analyzing data that identifies significant improvement opportunities. With the analysis of specific data, a teacher can create an action plan to address those specific problem areas that offer the most significant opportunities for improvement.

The School is in the process of obtaining joint accreditation from the Southern Association of Colleges and Schools ("SACS") and American Montessori School ("AMS").

Achievement

The school ranked in the top 46 out of 857 pre-schools in Monroe and Dade Counties for Kindergarten performance.

School Location

The School operates in the Miami area from its facility located at 10853 S.W. 216 Street, Miami, FL 33170.

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the School's governmental funds reported combined ending fund balances of \$427,842, an increase of \$ 404,232 in comparison with the prior year. During the last 2 years, the school incurred significant expenditures as a result of the construction of its facility and major purchases of furniture and equipment needed. During this year, since all major purchases had already been made in prior years, the school was able to adopt a conservative budget which included minimal increases in revenues and minimized expenditures. The school's management continuously monitored expenditures and implemented cost cutting measures, as necessary, to stay on budget while simultaneously increasing Charges for Services for school's Pre-K Program. Additionally, there was a significant increase of approximately \$138,000 of Capital Grants and Contributions from the State which contributed to the overall increase in fund balances.

Capital Assets

The School's investment in capital assets as of June 30, 2007 amounts to \$3,975,008 (net of accumulated depreciation). This investment in capital assets includes land, school building, furniture, fixtures and computer equipment.

Note Payable

On November 15, 2006, the School signed an agreement to refinance their note payable with a new \$3,700,000 note. The new note is collateralized by the School's building and land and is guaranteed by the School's co-directors. The note payable bears interest at 8.25%. The balance at June 30, 2007 was \$3,672,035.

General 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 general fund to demonstrate compliance with the School's budget.

	Budget		Actual by Governmental Funds		
	Original Budget	Final Budget	Total All Funds	General Fund	Capital Fund
REVENUES					
State government funding	\$ 1,716,000	\$ 2,108,473	\$ 2,150,857	\$ 2,150,857	\$ -
Capital outlay and other grants	100,000	200,000	247,952	-	247,952
Charges for services and other revenue	470,000	495,000	457,152	457,152	-
Interest and other income	-	8,700	22,722	22,722	-
TOTAL REVENUE	\$ 2,286,000	\$ 2,812,173	\$ 2,878,683	\$ 2,630,731	\$ 247,952
EXPENDITURES					
Instructional services	\$ 1,076,750	\$ 1,251,250	\$ 1,327,907	\$ 1,292,048	\$ 35,859
Pupil personnel services	2,000	-	-	-	-
Instructional media services	5,000	-	-	-	-
Instructional and curriculum development services	5,000	-	-	-	-
Instructional staff training services	22,000	22,000	24,015	24,015	-
Board	8,000	10,000	8,800	8,800	-
General administration	2,000	-	-	-	-
School administration	305,080	334,580	339,659	336,500	3,159
Facilities acquisition & construction	395,000	655,000	704,127	500,747	203,380
Fiscal services	23,000	26,500	32,329	32,329	-
Food services	40,390	41,890	59,782	59,782	-
Central services	7,500	102,750	106,109	106,109	-
Pupil transportation services	31,500	31,500	32,020	32,020	-
Operation of plant	159,280	187,280	231,314	225,760	5,554
Maintenance of plant	20,000	10,000	8,389	8,389	-
Community services	15,000	-	-	-	-
TOTAL EXPENDITURES	2,117,500	2,672,750	2,874,451	2,626,499	247,952
Excess of Revenues over expenditures	<u>\$ 168,500</u>	<u>\$ 139,423</u>	<u>\$ 4,232</u>	<u>\$ 4,232</u>	<u>\$ -</u>

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year. Additionally, included in the Facilities Acquisition and Construction category is approximately \$201,000 of expenditures for closing costs associated with the refinancing of the School's mortgage. These costs were to be paid from the mortgage proceeds and therefore were not included when formulating the final budget.

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. Juliet King and Lucy Golden, Co-Directors located at 10853 SW 216 Street, Miami, Florida 33170.

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2007

	2007	2006 (Summarized Comparative Information)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 360,903	\$ 21,956
Cash designated	90,000	90,000
Due from internal fund	10,362	-
Prepaid expenses and other assets	63,841	16,823
Total current assets	<u>525,106</u>	<u>128,779</u>
CAPITAL ASSETS		
Land	980,909	980,909
Building and improvements	3,071,508	2,804,336
Less accumulated depreciation	(166,254)	(98,227)
Furniture, fixtures and computer equipment	149,901	121,658
Less accumulated depreciation	(61,056)	(40,726)
Total capital assets, net	<u>3,975,008</u>	<u>3,767,950</u>
TOTAL ASSETS	<u><u>\$ 4,500,114</u></u>	<u><u>\$ 3,896,729</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 28,695	\$ 2,361
Wages payable	68,569	52,809
Line of credit	-	50,000
Note payable - current portion	53,063	-
Total current liabilities	<u>150,327</u>	<u>105,170</u>
Note payable - long term portion	<u>3,618,972</u>	<u>3,300,000</u>
TOTAL LIABILITIES	<u>3,769,299</u>	<u>3,405,170</u>
NET ASSETS		
Invested in capital assets, net of related debt	302,973	467,950
Unreserved, designated for capital projects	90,000	90,000
Unreserved	337,842	(66,391)
TOTAL NET ASSETS	<u>730,815</u>	<u>491,559</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,500,114</u></u>	<u><u>\$ 3,896,729</u></u>

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

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

FUNCTIONS	2007				2006	
	Program Revenues				(Summarized Comparative Information)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
Component Unit Activities:						
Instructional services	\$ 1,319,089	\$ 445,000	\$ -	\$ -	(874,089)	\$ (816,418)
Pupil personnel services	-	-	-	-	-	-
Instructional media services	-	-	-	-	-	-
Instructional and curriculum development services	-	-	-	-	-	-
Instructional staff training services	24,015	-	-	-	(24,015)	(40,854)
Board	8,800	-	-	-	(8,800)	(8,000)
General administration	-	-	-	-	-	(7,826)
School administration	336,959	-	-	-	(336,959)	(307,499)
Facilities acquisition & construction	22,582	-	12,152	247,952	237,522	(312,756)
Fiscal services	32,329	-	-	-	(32,329)	(22,976)
Food services	59,782	-	-	-	(59,782)	(41,162)
Central services	106,109	-	-	-	(106,109)	(95,553)
Pupil transportation services	32,020	-	-	-	(32,020)	(28,745)
Operation of plant	226,903	-	-	-	(226,903)	(160,260)
Maintenance of plant	8,389	-	-	-	(8,389)	(19,248)
Community services	-	-	-	-	-	(7,051)
Interest expense	374,094	-	-	-	(374,094)	-
Unallocated depreciation	88,356	-	-	-	(88,356)	(81,705)
Total Governmental Activities	<u>2,639,427</u>	<u>445,000</u>	<u>12,152</u>	<u>247,952</u>	<u>(1,934,323)</u>	<u>(1,950,053)</u>
GENERAL REVENUES:						
					2,150,857	1,908,356
					6,963	4,132
					15,759	19,462
					<u>2,173,579</u>	<u>1,931,950</u>
					239,256	(18,103)
					<u>491,559</u>	<u>509,662</u>
					<u>\$ 730,815</u>	<u>\$ 491,559</u>

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

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
BALANCE SHEET
JUNE 30, 2007

	2007			2006
	General Fund	Capital Projects Fund	Total Governmental Funds	(Summarized Comparative Information)
ASSETS				
Cash and cash equivalents	\$ 360,903	\$ -	\$ 360,903	\$ 21,956
Cash designated	90,000	-	90,000	90,000
Due from internal fund	10,362	-	10,362	-
Prepaid expenses	63,841	-	63,841	16,823
TOTAL ASSETS	\$ 525,106	\$ -	\$ 525,106	\$ 128,779
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued liabilities	\$ 28,695	\$ -	\$ 28,695	\$ 2,361
Wages payable	68,569	-	68,569	52,809
Line of credit	-	-	-	50,000
TOTAL LIABILITIES	97,264	-	97,264	105,170
FUND BALANCE				
Unreserved, designated for capital projects	-	-	-	90,000
Unreserved	427,842	-	427,842	(66,391)
TOTAL FUND BALANCE	427,842	-	427,842	23,609
TOTAL LIABILITIES AND FUND BALANCE	\$ 525,106	\$ -	\$ 525,106	\$ 128,779

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

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

Total Fund Balance - Governmental Funds \$ 427,842

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

Capital assets of \$4,202,318, net of accumulated depreciation of \$227,310 used in governmental activities are not financial resources and therefore are not reported in the fund. 3,975,008

Long-term liabilities of \$3,672,035 are not due and payable in the current period and therefore, are not reported in the funds. (3,672,035)

Total Net Assets - Governmental Activities \$ 730,815

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

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	2007			2006
	General Fund	Capital Projects Fund	Total Governmental Funds	(Summarized Comparative Information)
REVENUES				
State government grants	2,150,857	-	2,150,857	\$ 1,908,356
Capital outlay funding and SIT	-	247,952	247,952	109,911
Charges for services and other grants	457,152	-	457,152	484,570
Other income	15,759	-	15,759	19,462
Interest	6,963	-	6,963	4,132
TOTAL REVENUES	\$ 2,630,731	\$ 247,952	\$ 2,878,683	2,526,431
EXPENDITURES				
Current:				
Instructional services	\$ 1,292,048	\$ 35,859	\$ 1,327,907	1,300,989
Instructional staff training services	24,015	-	24,015	40,854
Board	8,800	-	8,800	8,000
General administration	-	-	-	7,826
School administration	336,500	3,159	339,659	307,499
Facilities acquisition & construction	-	25,886	25,886	422,667
Fiscal services	32,329	-	32,329	22,976
Food services	59,782	-	59,782	41,162
Central services	106,109	-	106,109	95,553
Pupil transportation services	32,020	-	32,020	28,745
Operation of plant	225,760	5,554	231,314	160,259
Maintenance of plant	8,389	-	8,389	19,247
Community services	-	-	-	7,051
Capital Outlay:				
Facilities acquisition and renovation	-	74,267	74,267	38,489
Other capital outlay	201,915	-	201,915	29,516
Debt Service:				
Redemption of principal	-	27,965	27,965	-
Interest	298,832	75,262	374,094	-
TOTAL EXPENDITURES	2,626,499	247,952	2,874,451	2,530,833
Excess (Deficiency) of revenues over expenditures	4,232	-	4,232	(4,402)
OTHER FINANCING SOURCES				
Proceeds from long-term financing	3,700,000	-	3,700,000	-
Redemption of principal and Payoff of mortgage	(3,300,000)	-	(3,300,000)	-
Total other financing sources	400,000	-	400,000	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	404,232	-	404,232	(4,402)
Fund balance at beginning of year	(66,390)	90,000	23,610	28,012
Reclassification of net assets	90,000	(90,000)		
Fund balance at end of year	\$ 427,842	\$ -	\$ 427,842	\$ 23,610

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

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
 A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2007

Change in Fund Balance - Governmental Funds \$ 404,232

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 \$295,416 exceeded depreciation of \$88,357. 207,059

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 \$3,700,000 exceeded repayments of \$3,327,965 in the current period. (372,035)

Change in Net Assets of Governmental Activities \$ 239,256

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

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
STATEMENT OF NET ASSETS - AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Agency Fund</u> <u>Student Activity</u>
Assets	
Cash	\$ 37,702
TOTAL ASSETS	<u>37,702</u>
Liabilities	
Due to student groups	27,340
Due to general fund	10,362
TOTAL LIABILITIES	<u>\$ 37,702</u>

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

NOTE 1 – ORGANIZATION AND OPERATIONS

Reporting Entity

Coral Reef Montessori Academy Charter School, Inc., (the “School”) is a not-for-profit corporation, organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 228.066, Florida Statutes. The governing body of the School is the Board of Directors which is comprised of 7 members.

The general operating authority of Coral Reef Montessori Academy Charter School, Inc., (the “School”) is contained in Section 228.066, Florida Statutes. The School operates under a charter of the sponsoring school district, the School Board of Miami-Dade County, Florida (the “School Board”). The current charter is effective until June 30, 2008 and may be renewed for up to an additional 10 years by mutual agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter in which case the School Board is required to notify the School in writing at least 90 days prior to the School’s expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown.

These financial statements are for the year ended June 30, 2007, when 348 students were enrolled in grades kindergarten through eight and 70 students were enrolled in the pre-school program at the School for the year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and changes in net assets. These statements report information for the School as a whole.

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 and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

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, namely, the general, special revenue funds and capital project are reported as separate columns in the fund financial statements:

General Fund – used to account for the full-time equivalent (FTE) revenue received from the School Board and the expenditures incurred under the School contract with the School Board. In addition, it is used to account for unrestricted contributions, interest income and other income.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Fund – used to account for Capital Outlay funds and School Infrastructure Thrift (SIT) funds. These funds have been segregated to account for renovation to the existing facility or the acquisition of new facilities.

GASB 34 eliminates the presentation of account groups but provides for these records to be maintained and incorporates the information into the Statement of Net Assets.

Agency Funds

Agency funds account for assets held by the School in a custodial capacity. The reporting entity includes one agency fund. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency fund is a School Activities Fund. It accounts for monies collected and spent resulting from student activities at the School site level such as music, clubs and other similar fundraising activities.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of Coral Reef Montessori Academy Charter School, Inc., (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) pronouncements. The government-wide financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the 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 Governmental Accounting Standards Board (GASB) Statement No. 33 Accounting and Financial Reporting for Non-Exchange Transactions, as amended by GASB Statement No. 36 Recipient Reporting for Certain Shared Non-Exchange Revenues, they include grants and donations. 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 90 days of the end of the fiscal year. 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.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay).

Cash

The School’s cash is considered to be cash on hand and demand deposits.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Designated Cash

Designated cash consists of a certificate of deposit used as collateral for a letter of credit required by an agreement between the School and Miami-Dade County Public Works Department for improvements to the subdivision where the school building is located. This amount is recorded as Cash Designated and included under Net Assets Unreserved, Designated for Capital Projects.

Accounts receivable

Accounts receivable consists of pre-K tuition and after school care fees pending to be collected. Any bad debts are expensed in the subsequent period when they are determined to be uncollectible.

Due from Other Government or Agency

Due from other government agency consists of grants receivable which were collected in the subsequent year. Since all receivables were collected subsequent to year end, an allowance for doubtful accounts is not necessary.

Capital Assets, Depreciation and Amortization

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. The School capitalization levels are \$750 on tangible personal property. Other costs incurred for repairs and maintenance is expensed as incurred. 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:

Furniture and equipment	5 Years
Computer equipment and software	7 Years
Building and improvements	39 Years

Long-term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities. Long term liabilities are due in more than one year.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Financing costs are reported as expenditures.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditure and are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data and Reclassifications

Comparative total data for the prior year have been presented only for the balance sheet and statement of revenues, expenditures and changes in fund balances for governmental funds in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CORAL REEF MONTESSORI ACADEMY (A Charter School Under Coral Reef Montessori Academy, Inc.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Sources

Revenues for operations will be received primarily from the Miami-Dade County District School Board 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 School Board. 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 Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. In addition, the School receives an annual allocation of charter school capital outlay funds for leasing of school facilities.

Finally, the School may also receive 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.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles 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 – INCOME TAXES

The School 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.

NOTE 4 – CHANGES IN CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2007:

	Balance 07/01/06	Additions	Deletions	Balance 06/30/07
Capital Assets				
Land	\$ 980,909	\$ -	\$ -	\$ 980,909
Building and Improvements	2,804,336	267,172	-	3,071,508
Furniture and Equipment	<u>121,658</u>	<u>28,243</u>	-	<u>149,901</u>
Total Capital Assets	3,906,903	295,415	-	4,202,318
Less Accumulated Depreciation				
Building and Improvements	(98,227)	(68,027)	-	(166,254)
Furniture and Equipment	<u>(40,726)</u>	<u>(20,330)</u>	-	<u>(61,056)</u>
Total Accumulated Depreciation	<u>(138,953)</u>	<u>(88,357)</u>	-	<u>(227,310)</u>
Capital Assets, net	<u>\$ 3,767,950</u>	<u>\$ 207,058</u>	<u>\$ -</u>	<u>\$ 3,975,008</u>

CORAL REEF MONTESSORI ACADEMY (A Charter School Under Coral Reef Montessori Academy, Inc.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4 – CHANGES IN CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2007 was \$88,356 and has been allocated to various functions in the Statement of Activities.

NOTE 5 – RELATED PARTIES

Each of the co-directors of the School have relatives that serve on the School’s Board of Directors. The total salaries paid to the co-directors were \$181,905 for the year ended June 30, 2007. In addition, two daughters of a co-director, when home from college, were employed on a part-time basis in the after care program. (See Note 7 – Notes Payable)

NOTE 6 – LINE OF CREDIT

The School has a \$50,000 line of credit agreement with a financial institution. This financial institution advances on the credit line are payable on demand and carry an interest rate of the financial institution’s Prime Rate plus 1.25%. The total outstanding balance at June 30, 2007 was \$0.

NOTE 7 – NOTES PAYABLE

On November 15, 2006, the School refinanced their note payable due to the high interest rate and the interest only payments under the previous agreement signed on January 31, 2005. The new note is collateralized by the School’s building and land. Under the terms of the refinance, the School’s co-directors became guarantors of the new note payable. At closing, the School paid 1% of the total loan proceeds to each of the co-directors totaling \$74,000 for the risk of personally guaranteeing the loan. In addition, the board of directors signed a resolution that would pay each of the co-directors .5% of the total loan outstanding for each year that they are listed as guarantors of the loan.

The School’s obligation under notes payable consists of the following:

	<u>Balance 07/01/06</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 06/30/07</u>
Note Payable, issued on January 31, 2005, interest only payments at 12.75%, maturity date January, 1, 2008.	\$ 3,300,000	\$ -	(\$3,300,000)	\$ -
Note Payable, issued on November 15, 2006, with monthly payments of principal and interest totaling \$29,468, bearing interest at 8.25%. The note matures on November 15, 2016.	-	3,700,000	(27,965)	3,672,035
Total	<u>\$ 3,300,000</u>	<u>\$ 3,700,000</u>	<u>(\$3,327,965)</u>	<u>\$ 3,672,035</u>

CORAL REEF MONTESSORI ACADEMY (A Charter School Under Coral Reef Montessori Academy, Inc.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Maturities of long-term debt are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2008	\$ 53,063
2009	\$ 57,610
2010	\$ 62,546
2011	\$ 67,906
2012	\$ 73,725
Thereafter	\$ 3,357,185

NOTE 8 – 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, 2007, the carrying amount of the School's deposits was \$450,903 and the respective bank balances totaled \$ 265,132. Out of the total bank balances, \$100,000 was covered by the Federal Depository Insurance Corporation (FDIC). The amount of deposits not insured by FDIC or collateralized, and therefore subject to custodial credit risk was \$165,132 at year end.

NOTE 9 – GRANTS

In the normal course of operations, the School receives grant funds from various federal, state and local agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not reflected in these financial statements.

NOTE 10 – RECLASSIFICATION OF NET ASSETS

The School had \$90,000 in the Capital Projects Funds balance at the beginning of the year. The fund balance were originally taken from General Fund Revenues and therefore were improperly recorded under the Capital Projects Fund. This balance has been designated by the School for capital improvement projects around the School's location.

REQUIRED SUPPLEMENTARY INFORMATION

**CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	Budget		Actual by Governmental Funds		
	Original Budget	Final Budget	Total		
			All Funds	General Fund	Capital Fund
REVENUES					
State government funding	\$ 1,716,000	\$ 2,108,473	\$ 2,150,857	\$ 2,150,857	\$ -
Capital outlay and other grants	100,000	200,000	247,952	-	247,952
Charges for services and other revenue	470,000	495,000	457,152	457,152	-
Interest and other income	-	8,700	22,722	22,722	-
TOTAL REVENUE	\$ 2,286,000	\$ 2,812,173	\$ 2,878,683	\$ 2,630,731	\$ 247,952
EXPENDITURES					
Instructional services	\$ 1,076,750	\$ 1,251,250	\$ 1,327,907	\$ 1,292,048	\$ 35,859
Pupil personnel services	2,000	-	-	-	-
Instructional media services	5,000	-	-	-	-
Instructional and curriculum development services	5,000	-	-	-	-
Instructional staff training services	22,000	22,000	24,015	24,015	-
Board	8,000	10,000	8,800	8,800	-
General administration	2,000	-	-	-	-
School administration	305,080	334,580	339,659	336,500	3,159
Facilities acquisition & construction	395,000	655,000	704,127	500,747	203,380
Fiscal services	23,000	26,500	32,329	32,329	-
Food services	40,390	41,890	59,782	59,782	-
Central services	7,500	102,750	106,109	106,109	-
Pupil transportation services	31,500	31,500	32,020	32,020	-
Operation of plant	159,280	187,280	231,314	225,760	5,554
Maintenance of plant	20,000	10,000	8,389	8,389	-
Community services	15,000	-	-	-	-
TOTAL EXPENDITURES	2,117,500	2,672,750	2,874,451	2,626,499	247,952
Excess of Revenues over expenditures	\$ 168,500	\$ 139,423	\$ 4,232	\$ 4,232	\$ -



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

PEDRO M. DE ARMAS, C.P.A.
OCTAVIO A. VERDEJA, C.P.A.
OCTAVIO F. VERDEJA, C.P.A.

MARIA C. PEREZ-ABREU, C.P.A.
ALEJANDRO M. TRUJILLO, C.P.A.
TAB VERDEJA, C.P.A.

Board of Directors of
Coral Reef Montessori Academy Charter School, Inc.
Miami, Florida

We have audited the financial statements of Coral Reef Montessori Academy Charter School, Inc. ("the School"), as of and for the year ended June 30, 2007, and have issued our report thereon dated August 30, 2007. 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organizations internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant 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 the audit committee, management, and board of directors and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2007

MANAGEMENT LETTER

PEDRO M. DE ARMAS, C.P.A.
OCTAVIO A. VERDEJA, C.P.A.
OCTAVIO F. VERDEJA, C.P.A.

MARIA C. PEREZ-ABREU, C.P.A.
ALEJANDRO M. TRUJILLO, C.P.A.
TAB VERDEJA, C.P.A.

Board of Directors of
Coral Reef Montessori Academy Charter School, Inc.
Miami, Florida

This letter is written in connection with our audit of the basic financial statements of Coral Reef Montessori Academy Charter School, Inc. as of and for the year ended June 30, 2007. The purpose for this letter is to communicate to you any comments and recommendations, and to comply with the requirements of Chapter 10.850 Rules of the Auditor General, Charter School Audits which requires that this report specifically address but not limit to the matters outlined in Rule 10.854(1)(d).

The following statements relate to requirements of the Auditor General:

1. There were no inaccuracies, irregularities, shortages, defalcations and/or violations of laws, rules, regulations or contractual provisions reported for the preceding audit.
2. Prior year findings and recommendations were followed as noted below:

PRIOR YEAR FINDINGS

2006-1 Financial Position

Observation

The School has an unreserved fund balance of negative \$66,391.

Status

Corrective action taken.

2006-2 Personnel Files

Observation

As a result of testing the personnel file contents of certain employees, we noted several discrepancies relating to the documents which according to the School policies and procedures are required to be maintained in each file.

Status

Corrective action taken.

3. There were no current year recommendations.
5. There were no violations of laws, rules, regulations or contractual provisions discovered during our audit.
6. There were no illegal or improper expenditures discovered during our audit, relating to improper or inadequate accounting procedures, improperly recorded transactions, fraud or other reportable conditions.
7. In connection with our audit, we did not note any evidence of the conditions as outlined in Section 218.503(i) of the Florida Statutes.

Verdega & De Acomas LLP
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2007



Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools
Rudolph F. Crew, Ed.D.

Miami-Dade County School Board
Agustin J. Barrera, Chair
Perla Tabares Hantman, Vice Chair
Renier Díaz de la Portilla
Evelyn Langlieb Greer
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Ana Rivas Logan
Dr. Marta Pérez
Dr. Solomon C. Stinson

February 7, 2008

Ms. Elsie Hamler, President
Coral Reef Montessori Academy
10835 S.W. 216th Street
Cutler Bay, FL 33170

VIA FACSIMILE & US MAIL
(305) 255-4085

RE: FOLLOW-UP TO JANUARY 29, 2008 AUDIT COMMITTEE MEETING

As a follow-up to the January 29, 2008 Audit Committee meeting, please clarify the following issues relating to the Governing Board's authorization of payments to the Co-Directors for guaranteeing the loan(s).

- In section 5 of your response letter dated January 15, 2008, you state "The Co-Directors' relatives on our Governing Board did not vote to approve this measure, as shown in the minutes of the meeting...." However, the minutes submitted were for the January 20 and May 4, 2007 meetings, neither of which reference who voted or who abstained from said vote. Please explain.
- At the May 4, 2007 meeting, the Governing Board voted to compensate the Co-Directors 1/2% each of the loan balance each year the loan is in effect. The minutes indicate that seven individuals were in attendance. Please provide us the detail of who voted, how they voted (i.e. for or against) and who abstained.
- Please provide evidence that the Co-Directors are financially viable of guaranteeing the loan(s).

We plan to present the above to the School Board Audit Committee at its next regularly scheduled meeting: Tuesday, March 18, 2008 in room 916 of the School Board Administration Building, 1450 N.E. 2nd Avenue at 12:30 p.m. In order to give our office time to review the above items submitted, please submit them to us by Tuesday February 19, 2008.

Should you have any questions, please call me or Mr. Jon Goodman at 305-995-1323. Thank you in advance for your cooperation.

Sincerely,

Trevor L. Williams, CPA, Assistant Chief Auditor
Operational and Performance Audits

TW:la
L009

cc: Dr. Rudolph F. Crew Ms. Ofelia San Pedro Ms. Tiffanie Pauline
Ms. Carolyn Spaht Mr. Allen M. Vann Ms. Margarita Betancourt
Ms. JulieAnn Rico Ms. Connie Pou
Ms. Antoinette Dunbar Ms. Ellen O. Wright

Office of Management and Compliance Audits

School Board Administration Building • 1450 N.E. 2nd Ave. • Suite 415 • Miami, FL 33132

305-995-1318 • 305-995-1331 (FAX) • www.mca.dedeschools.net

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
A Miami-Dade County Public School
10853 SOUTH WEST 216 STREET
MIAMI, FLORIDA 33170

PH (305) 255-0064

FAX (305) 255-4085

February 19, 2008

Trevor L. Williams, CPA, Assistant Chief Auditor
Operational and Performance Audits
Office of Management and Compliance Audits
School Board Administration Building
1450 N.E. 2nd Avenue, Suite 415
Miami, Florida 33132

2008 FEB 19 PM 4:1
MANAGEMENT

RE: RESPONSE TO FEBRUARY 7TH, 2008 LETTER FROM AUDIT COMMITTEE.

As a follow up to your letter dated February 7th, 2008, we are re-submitting the supporting documentation as requested and offer the following information to clarify the items questioned:

- Pursuant to our bylaws, 40% constitute a quorum required to vote on business transactions for the school. The resolution dated on the 15th of November 2006 clearly stated the voting results of the board, which identified the voting members. No relatives participated in the vote of the Resolution. The Board of Directors did not deem it necessary to reiterate this issue in subsequent meetings. (Attachment #1)
- With regard to the May 4th meeting, below is the result of who voted for the compensation to be reduced from 1% to ½% for the remaining balance of the loan, as long as the Co-Directors remained personal guarantors:
 - Wendall Carr – voted yes
 - Nestor Torres – voted yes
 - Geraldine Townsend – voted yes
 - Elsie Hamler – did not vote
 - Victor Golden – did not vote
- As you recall, Intercredit Bank requested that the Co-Directors of the school provide a personal guarantee in order for the bank to approve the loan. Ms. Golden and Ms. King provided the bank with the required loan information, and, in response, Intercredit Bank issued a loan commitment that clearly states the terms and conditions on which the loan was approved (see item

#7). (Attachment #2) Said loan commitment, itself, is evidence that the Co-Directors are capable of guaranteeing the loan granted to them by Intercredit Bank. We have also attached a letter confirming this loan requirement by Intercredit Bank. (Attachment #3)

Finally, as a volunteer for this prestigious school, it disheartens me to see the amount of time required to address this issue. We (CRMA's Board) are looking forward to the day when the school will become an independent entity. However, since its inception, the school's operations and finances have required personal sacrifices and commitment on the part of both co-founders/co-directors in order to gain the reputation and elite status currently being enjoyed by Coral Reef Montessori Academy. As was stated by Attorney Julianne Rios during the January 29th meeting, laws were followed, and no one violated their contractual obligations.

If you have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Elsie Hamler".

Elsie Hamler

Attachments

ATTACHMENT # 1

RESOLUTION

RESOLUTION AURTHORIZING JULIET KING AND LUCY CANZONERI-GOLDEN TO BECOME GUARATORS OF THE MORTGAGE ON CORAL REEF MONTESSORI ACADEMY WITH INTERCREDIT BANK.

WHEREAS, this Board understands that Intercredit Bank is requiring, as a stipulation for the loan to close, that Lucy Canzoneri -Golden and Juliet King must be personal guarantors of the loan.

WHEREAS, this Board desires to compensate Lucy Canzoneri -Golden and Juliet King in the amount of one percent of the mortgage for each individual for their services as personal guarantors of this loan.

WHEREAS, this Board desires to compensate yearly Lucy Canzoneri -Golden and Juliet King in the amount of one percent of the mortgage for each individual for the duration of this loan, for their services as personal guarantors of this loan, for as long as the terms of the loan remain unchanged, providing the budget permits, based on yearly approval of the budget; otherwise the parties, have an opportunity to request a lower amount for which the board can vote.

NOW, THEREFORE, BE IT RESOLVED that this is authorization for a disbursement of funds from the closing to Juliet King and Lucy Canzoneri-Golden each in the amount of one percent of the loan.

The vote was as follows:

Ray Fauntroy - Yes

Kim Thomas - Yes

Geraldine Townsend - Yes

Nestor Torres - Yes

The Chairperson/President thereupon declared this resolution duly passed and adopted this 15th day of November, 2006.



Signature - Chairperson or Secretary

ATTACHMENT # 2



INTERCREDIT® BANK, N.A.

COMMITMENT LETTER

October 17th, 2006

Mrs. Lucy Canzoneri-Golden
President
CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
10853 SW 216th Street
Miami, Florida. 33157

Dear Mrs. Canzoneri-Golden:

We are pleased to inform you that Intercredit Bank, N.A. ("Bank"), in consideration of the terms and conditions described herein, hereby agrees to offer to you ("Borrower"), financing as described herein, subject to your compliance and acceptance of the following terms, conditions and the rules and regulations of the Bank:

- 1. Borrowers: CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
- 2. Loan Amount: The principal amount of the Loan shall not exceed \$3,700,000.00.
- 3. Rate of Interest: Fixed at the Prime rate at closing, currently 8.25%, for the first five years (5). The rate will be adjusted at ICB Prime + 1% fixed for the next five years (5). At no time will the interest rate be below 7%.
- 4. Repayment Terms: Ten (10) year balloon, with payments based on a twenty-five year (25) amortization schedule. Monthly payments will include principal and interest, plus escrows for real estate taxes and insurance premiums, as applicable.
- 5. Intercredit Bank Commitment Fee: \$37,000.00 representing one percent (1.00%) of the loan amount. \$2,000.00 is due upon acceptance of this Letter of Commitment, and the balance is due at closing.

Initials LCG JK

Initials [Signature] [Signature] SSS



MAIN OFFICE
1200 Brickell Ave., 4th Floor
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PH: (305) 375-8442
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West Miami, Florida 33144
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Miami, Florida 33165
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Fax: (305) 229-6960

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MAILING ADDRESS
P.O. Box 452808
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Tele: 6790896 / 49618281
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CORAL REEF MONTESSUKI ACADEMY CHARTER SCHOOL, INC.

Commitment Letter

October 17th, 2006

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6. Description of Collateral (Mortgaged Premises):

First mortgage security interest on the commercial property located at: 10853 SW 216th Street, Miami, Florida. 33157.

Folio #30-6007-029-0010

The description of the collateral is based upon previous review of information provided by the borrower and may be amended, modified or altered upon final review and approval by Bank and its counsel.

7. Guarantor(s):

Lucy Canzoneri-Golden & Juliet King

8. Terms & Conditions Precedent to Closing:

The following Terms and Conditions must be fulfilled prior to closing and funding of the Loan:

- 1) An Engineer's Due Diligence Report on the building satisfactory to the Bank.
- 2) A Phase 1 Assessment Environmental Report satisfactory to the Bank.
- 3) A clear survey acceptable to Bank.
- 4) Clear title insurance acceptable to the Bank.
- 5) A hazard insurance policy in the amount of \$3,700,000.00 indicating Intercredit Bank, N.A. as loss payee.
- 6) A flood insurance policy in the amount of \$500,000.00 if the mortgaged premises are determined to be in a flood zone.
- 7) Initial and monthly escrows of all taxes and insurance for the mortgaged property.
- 8) A breakdown of the intended use of the \$400,000.00 in funds that are being cash out from the subject property.
- 9) The Coral Reef Montessori Academy Charter School should maintain a minimum "C" grade.
- 10) Key person life insurance policy of \$500,000.00 for each guarantor.
- 11) ~~First priority security interest in all equipment, inventory and personal property that is used and useful in the building.~~ *only equipment affixed to the actual building. See contracts.*
- 12) Any and all other documents deemed necessary by the Bank's Closing Agent.

OK

building will have first priority interest

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CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.

Commitment Letter

October 17th, 2006

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9. Initial and Continuing Conditions:

- 1) Corporate financial statements of Borrower to be submitted annually.
- 2) Personal financial statements of Guarantor to be submitted annually.
- 3) The Coral Reef Montessori Academy Charter School may be required in the future to have a depository account at Intercredit Bank, if the Bank becomes a qualified depository institution with the State of Florida.
- 4) Any and all other documents deemed necessary by the Bank.

10. Use of Loan Proceeds: Proceeds of this term loan shall be used to refinance the collateral commercial building and to pay any closing costs.

11. Loan Documents: The Loan shall be a Mortgage Loan on the facilities and land as described herein. The loan shall be evidenced by a Promissory Note secured by a Mortgage which shall constitute a valid first lien on good and marketable title in unencumbered fee simple to the premises, all fixtures and equipment now or hereafter affixed to or used in connection with our habitability of the premises. Additional documents will include a Security Agreement, UCC-1 Statements, an Environmental Compliance and Indemnity Agreement, Guarantors, if applicable, and such other documents that are designated by the Bank's Attorney and Closing Agent.

12. An Acceleration Clause will be a provision of the note whereby the Bank, if a payment is not received on or before the tenth (10th) day after the due date, has the option to accelerate the maturity of the entire indebtedness without notice. In the event the Bank exercises its option to accelerate the Loan, the Interest Rate thereafter will automatically increase to the maximum rate permitted by applicable law.

13. A late charge may be charged equal to (5%) of any installment not received by the Bank within ten (10) days after the installment is due.

14. Financial Statements: Borrowers agree to provide current, complete financial statements of Borrowers in form and content satisfactory to the Bank annually including tax returns within 30 days of completion, at their own expense, as long as the Loan made pursuant to this commitment is outstanding.

15. Appraisal: A satisfactory independent current appraisal of the property, by an appraiser satisfactory to the Bank shall be obtained by Lender at Borrower's expense prior to closing of the Loan. In addition, the Bank reserves the right to order one new appraisal on the property, at Borrowers' expense, as long as the Loan made pursuant to this commitment is outstanding.

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CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.

Commitment Letter

October 17th, 2006

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16. Phase I Environmental Audit: The Bank reserves the right to require the Borrowers to provide a Phase I Environmental Audit of the Mortgaged Premises acceptable to the Bank confirming that there is no apparent evidence of hazardous waste or asbestos containing materials, or other conditions which could cause liability under current government regulations.

17. Survey: A current survey on each of the properties showing no encroachments or other defects to the property shall be provided to the Bank at Borrowers' expense.

18. Title Insurance: Borrower shall pay for a standard American Land Title Association (ALTA) Mortgage Title Insurance Policy, or commitment therefor, issued by Bank's counsel with a title underwriter approved by the Bank, insuring the full Loan Amount which policy shall be assignable without additional cost, and shall insure the Mortgage to be a valid first lien on Mortgagor's fee simple interest in the Mortgaged Property free and clear of all defects and encumbrances except such as Bank and its counsel shall approve. The Mortgagee Title Insurance Policy shall include such endorsements as the Bank shall require, including, without limitation, the following endorsements (to be issued without change, deletion or modification), to wit:

A. Florida Endorsement Form 9 (Restrictions, Easements and Minerals).

19. Transfer of Mortgaged Property: In no event shall title to the mortgaged property be conveyed or transferred to, or otherwise vested in, any party other than the Borrower without the written consent of the Bank. For purposes of the paragraph, the following shall constitute a transfer by the Borrower and a default under this Commitment Letter and under the Loan Documents: (a) if Borrower is a corporation, (i) the transfer of stock of Borrower or any stockholder of Borrower (whether such purported transfer shall be by direct transfer by such stockholder, the result of encumbrance of such stock by such stockholder or the result of action by any party against such stockholder), (ii) the issuance of additional stock of Borrower after the date hereof; (b) if Borrower is a partnership or joint venture, (i) the transfer of any partnership or joint venture interest of any partner (general or limited) or joint venturer, (ii) if any new partners (limited or general) or joint venturers are admitted to Borrower.

20. Liens: Borrower shall not create, incur, assume or suffer to be created, incurred or assumed, or permit any pledge of or any mortgage, lien, charge, security interest or encumbrance of equal or superior priority to the collateral interest to be granted hereunder except for liens of carriers, warehousemen, mechanics, laborers materialmen and such other liens incurred in the ordinary course of business for sums not yet due or being contested in good faith; provided, however that there shall have been set aside on the books of Borrower such reserves, if any, as shall be required by generally accepted accounting principles.

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CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.

Commitment Letter

October 17th, 2006

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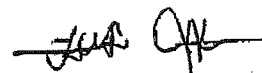
21. Additional Financing: Borrower agree that during the term of the loan or any extensions thereof there shall be no financing of or other lien against property other than that contemplated by this commitment without the prior written consent of the Bank. In the event such consent is given, any and all financing and liens shall be absolutely and unconditionally subordinated to the lien of the Bank.

22. Insurance Policies: Borrower shall furnish the Bank with a fire insurance policy with extended coverage, vandalism and malicious mischief, sprinkler leakage, rent abatement, and/or business loss, and if applicable, public liability and workmen's compensation, and such other insurance as Bank may require. Each such policy or policies shall contain acceptable clauses in favor of the Bank, such insurance to be in amounts and form as shall be approved by the Bank. The original policies shall be delivered to the Bank, together with evidence of payment thereon, for the initial year of the loan, and an agreement of the insurer(s) to give the Bank (30) days prior written notice of any material change in the policies. All such insurance must be issued by companies acceptable to the Bank and provide coverage on the insurable improvements for their highest insurable value, but in no event less than the unpaid balance and accrued interest that shall be outstanding on the promissory note.

23. Assignment by Borrower: Neither this commitment nor the loan proceeds shall be assignable by Borrowers without the prior written consent of the Bank and any such assignment without such consent shall be void, and at the option of the Bank, be deemed a default hereunder.

24. Non-Assumability: The terms of all of the Loan Documents shall state that the Permanent Loan in favor of the Bank shall not be assumable. The Borrower shall not assign the within Commitment without the express written consent of the Bank, which consent the Bank may withhold in its sole and absolute discretion.

25. Organizational Authority: The Borrower shall provide evidence that it is duly organized, validly existing, and in good standing under the laws of the jurisdiction governing its organization and, (a) if the Borrower is a corporation, it shall provide a certified copy of its articles of incorporation and all corporate action taken to authorize the execution, delivery, and performance of this agreement and the loan documents contemplated herein and the borrowing by it hereunder, and such other papers as the Bank shall require, or (b) if the Borrower is a partnership, it shall provide a certified copy of its partnership agreement and all partnership action taken to authorize the execution, delivery, and performance of this agreement and the loan documents contemplated herein and the borrowing by it hereunder, and such other papers as the Bank shall require. The Borrower represents and warrants that it has full power and authority to enter into this agreement and to consummate the loan transaction contemplated herein.

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CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.

Commitment Letter

October 17th, 2006

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31. Borrower's Attorney: Please complete the following information prior to returning this commitment (if applicable):

Attorney's Name: Ron Baskin
 Attorney's Firm: Akerman Senterfitt
 Address: One Southeast Third Avenue, 28th Floor
Miami, Florida 33131-1714
 Telephone: 305-374-5600
 Fax: (305) 374-5095

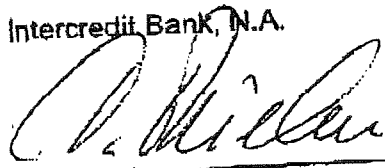
32. Oral Changes: This Commitment may not be changed modified or amended orally, but only by an instrument in writing, signed by the Bank, Borrower and Guarantor.

33. Waiver of Right to Jury Trial: IF ANY LEGAL ACTION IS TAKEN WITH RESPECT TO THIS COMMITMENT LETTER OR ANY OF THE LOAN DOCUMENTS EXECUTED IN CONNECTION HEREWITH, OR ANY TRANSACTION DESCRIBED IN THIS COMMITMENT LETTER OR ANY OF THE SAID LOAN DOCUMENTS, THE BORROWER AND THE BANK WAIVE THEIR RIGHTS TO A TRIAL BY JURY.

34. Entire Agreement: No change or modification of this commitment shall be valid unless the same is in writing and signed by the parties hereto. This commitment contains the entire agreement between the parties hereto. This commitment contains the entire agreement between the parties hereto other than as herein set forth. It is expressly understood and agreed that the parties hereto intend this commitment to be an integration of all prior and contemporaneous promises, agreements, conditions, undertakings, warranties and representations between the parties hereto. This commitment and all of the Bank's obligations hereunder shall become null and void at the option of the Bank unless you sign and return to the Bank the enclosed copy of this letter by October 27th, 2006, accompanied by your check (payable to Intercredit Bank N.A.) in the amount of \$2,000.00 representing payment of half the Commitment Fee. This fee is non-refundable.

Very truly yours,

Intercredit Bank, N.A.




Teo Thielen
Assistant Vice President

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Intercredit Bank, N.A.



Miguel A. Rasco
Senior Vice President & Division Manager

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CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.

Commitment Letter

October 17th, 2006

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26. Commitment Expiration: Once this commitment has been issued, unless this transaction is closed and full or partial disbursement of funds has occurred within 60 days from the above described date of this commitment, then this commitment shall be terminated at the option of the Bank, and the commitment fee paid by you to the Bank shall be retained by the Bank as consideration of the issuance of this commitment.

27. Event of Default: The occurrence of any one or more of the following shall, at the option of the Bank, constitute an event of default hereunder and the Bank reserves the right, without giving any prior notice to Borrower, to cancel this commitment and terminate Bank's obligations hereunder: a) if Borrower shall have failed to observe and perform each and every one of the terms, covenants, promises and agreements on its part to be observed and performed under this commitment or under any of the Loan documents, or b) in the event the financial condition of Borrower, shall have changed unfavorably in any material degree from the condition represented in the loan application and supporting documents as determined by Bank at Bank's sole discretion, or c) non-occurrence of any conditions precedent to the Bank's obligations to close the loan and/or make any disbursement thereunder, or d) filing by or against Borrower of a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee, or the making by borrower of any assignment for the benefit of creditors, or the filing of a petition for arrangements by Borrowers, or in the event of any similar act or occurrence, or e) occurrence of any event which the Bank deems to adversely affect Borrower ability to repay the loan or to otherwise qualify for the loan.

28. Agreement to Indemnify: Borrower agrees to protect, indemnify defend and save harmless, the Bank and its directors, officers, agents and employees from and against any and all liability, expenses or damage of any kind or nature and from any suits, claims or demands, including reasonable legal fees and expenses on account of any matter or thing, whether suit or not, arising out of this commitment or in connection therewith unless said suits, claims or damages are caused by gross negligence or wilful malfeasance of the Bank. This obligation shall survive the closing of the Loan and the repayment thereof.

29. Borrower's Responsibility for Fees and Costs: Acceptance of this commitment shall constitute Borrower's unconditional agreement to pay all fees, expenses, taxes, costs and charges, including attorney's fees, in respect to the loan, or in any way connected therewith, whether such loan shall close or not.

30. Bank's Attorney and Closing Agent:

Robin A. Lukacs, Esquire
Lukacs & Lukacs P.A.
1825 Coral Way
Miami, Florida, 33145
Telephone: 305-856-9600
Facsimile: 305-856-9601

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CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.

Commitment Letter

October 17th, 2006

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We, as duly-authorized officers of the Borrower, have read, understood and agree to the terms, conditions and provisions hereof.

<u>Lucy Canzoneri-Golden</u>	<u>10/23/06</u>	<u>Juliet King</u>	<u>10/23/06</u>
President	Date	Treasurer	Date

GUARANTORS:

We, as Guarantors, have read, understood and agree to the terms, conditions and provisions hereof:

<u>Lucy Canzoneri-Golden</u>	<u>10/23/06</u>	<u>Juliet King</u>	<u>10/23/06</u>
	Date	Treasurer	Date

Initials Lucy JK

Initials JK JK

ATTACHMENT # 3



INTERCREDIT® BANK, N.A.

February 11, 2008

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.

Ms. Juliet King
Ms. Lucy Canzoneri Golden
10853 SW 216 Street
Miami, FL 33157

Re: First mortgage Loan # 600008673

Dear Ladies:

This letter is to confirm that your loan approval, as detailed in the Commitment Letter dated October 17, 2006, required the personal guarantee of each of you. Without your personal guarantee, the loan would not have been approved.

If you should have any questions, please do not hesitate to contact the undersigned.

Very Truly Yours,

Miguel A. Rasco
Senior Vice President

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