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

**BASIC FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT AND
SUPPLEMENTAL INFORMATION**

JUNE 30, 2010

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

10853 S.W. 216th Street
Miami, Florida 33170
(305) 255-0064

2009-2010

BOARD OF DIRECTORS

Ms. Elsie Hamler, President
Mr. Victor Golden, Secretary
Ms. Geraldine Townsend
Dr. John Pittman
Mr. Nestor Torres
Mr. Wendall Carr
Ms. Evelyn Quiñones

SCHOOL ADMINISTRATION

Ms. Lucy Canzoneri-Golden, Co-Director, Vice President
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, 2010, 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 2009 financial statements and in our report dated September 10, 2009, 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, 2010 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 September 1, 2010, 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 important for assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 4 through 10 and the Schedules of Revenues, Expenditures and Changes in Fund Balance—Budget to Actual on page 24 are not a required part of the basic financial statements but are supplemental 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.

Verdeja & De Armas, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 1, 2010

Management's Discussion and Analysis
Coral Reef Montessori Academy Charter School, Inc.
June 30, 2010

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, 2010.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2010 by \$995,630 (net assets).
2. At year-end, the School had current assets on hand of \$701,417.
3. The net assets of the School increased by \$98,267 during 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, 2010 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 11 - 12 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 13 - 16 of this report.

The agency fund statement provides information about the financial relationship in which the School acts solely as an agent for the benefit of others. The School is fiduciary for assets that belong to others, such as the student activity funds. The School is responsible for ensuring that the assets reported in these activity funds are used only for the intended purposes and by those for whom the assets are contributed. The School excludes these activities from the Statement of Net Assets because it cannot use these funds to finance its operations. The agency fund statement can be found on page 17 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 18 - 23 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 \$995,630 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2010 and 2009 follows:

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.

Assets	<u>2010</u>	<u>2009</u>
Cash	\$ 390,318	\$ 466,955
Cash designated	-	90,000
Due from governmental agencies & internal fund	265,460	44,997
Prepaid expenses and other assets	45,639	79,064
Capital assets, net	4,166,563	4,078,574
Total Assets	<u>\$ 4,867,980</u>	<u>\$ 4,759,590</u>
Liabilities and Net Assets		
Accounts and wages payable	\$ 217,451	\$ 133,940
Note payable	3,654,899	3,728,287
Total Liabilities	<u>3,872,350</u>	<u>3,862,227</u>
Invested in capital assets, net of related debt	511,664	350,287
Unrestricted, designated for capital projects	-	90,000
Unrestricted	483,966	457,076
Total Net Assets	<u>995,630</u>	<u>897,363</u>
Total Liabilities and Net Assets	<u>\$ 4,867,980</u>	<u>\$ 4,759,590</u>

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2010 and 2009 follows.

REVENUES	<u>2010</u>	<u>2009</u>
Program Revenues		
Operating grants & contributions	\$ 7,526	\$ 62,018
Capital grants & contributions	180,592	187,299
Charges for services	614,600	508,000
General Revenues		
Grants & contributions	2,346,705	2,155,156
Fundraising & other revenue	-	29,803
Interest earnings	2,589	1,907
Total Revenues	<u>\$ 3,152,012</u>	<u>\$ 2,944,183</u>
 EXPENSES		
Instructional services	\$ 1,839,647	\$ 1,853,255
Instructional & curriculum development services	4,684	-
Instructional staff training services	25,325	7,750
Board	10,780	10,112
School administration	374,986	374,936
Facilities acquisition & construction	60,686	54,497
Fiscal services	27,486	19,012
Food services	43,251	64,579
Central services	114,641	105,383
Pupil transportation services	32,400	36,310
Operation of plant	178,162	189,434
Maintenance of plant	10,570	9,067
Interest expense	224,791	230,145
Unallocated depreciation	106,336	93,615
Total Expenses	<u>3,053,745</u>	<u>3,048,095</u>
 Change in Net Assets	98,267	(103,912)
 Net Assets at Beginning of Year	<u>897,363</u>	<u>1,001,275</u>
Net Assets at End of Year	<u>\$ 995,630</u>	<u>\$ 897,363</u>

The School's total revenues increased by \$207,829, with approximately \$106,000 of the increase resulting from the School's Pre-K and after-care services provided. In addition, the School received additional funds from the National School Lunch Program of approximately \$50,000 which was an increase of \$32,000 from the prior year. The expenditures of the School increased by approximately \$5,000 for the year ended June 30, 2010. Additionally, the School spent approximately \$195,000, in building and other major improvements including \$90,000 of funds designated in prior year's fund balance for the county's public works department to complete the installation of traffic flasher lights for the student crosswalk on the front road of the School.

Although the School provided the funding, this project was initiated, managed and completed by the county's public works department's staff and field workers. If the School computed its Change in Net Assets before Unallocated Depreciation, (a non-cash expense) of \$106,336, its Change in Net Assets would be an increase in Net Assets of \$204,603.

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; Florida Assessments for Instruction Reading (FAIR) and report their progress in the Progress Monitoring Reporting Network (PMRN). The School will commence its tutorial program the first week of school to target at risk students in grades 3-8. In addition, the tutoring program will continue throughout the 2010-2011 school year in reading and in math 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, in grades 3-8 will receive tutoring in both reading and math.

Accomplishments

Where many schools dropped scores during the 2009-2010 FCAT results, CRMA improved consistently. The School received an "A" grade for the 2009-2010 school year; and made Adequate Yearly Progress (AYP) in reading, math and writing. The achievement of receiving AYP means that all sub groups; Blacks, Hispanics, Whites, Exceptional Education students, free and reduced lunch students all made adequate gains in the Florida Comprehensive Assessment Test as defined by the Florida Department of Education. All CRMA Students made gains in reading and math. Students increased 12 percentage points from 70% reading proficiency on the 2009 FCAT and 82% reading proficiency on the 2010 FCAT. Students increased 8 percentage points from 74% math proficiency on the 2009 FCAT to 82% math proficiency on the 2010 FCAT.

We were particularly pleased with the performance of our Black students who in 2009 were only 47% proficient in reading as compared to our 2010 FCAT reading scores where 74% were proficient in reading on the 2010 FCAT reading test. This is a 27 percentage point increase from the previous year. Our Black students also went from 52% proficient in math on the 2009 FCAT to 63% proficient in math as indicated on the 2010 FCAT. There was a 7 percentage point increase in Fifth grade science scores from 2008-2009 school year. The administration in conjunction with their staff, Board of Directors and EESAC committee, has made continuous improvement for all subgroups in AYP particularly our Black students a priority for improvement.

The School budgeted additional funds for professional training and materials that have proven to be efficient in improving test scores for various schools in Miami-Dade. All teachers in grades kindergarten through eighth received extensive training for FCAT preparation in reading, writing and mathematics. All students who were at risk on the SPP (Student Performance Plan) received tutoring from a math specialist and reading tutor.

The School provided professional development for the teachers in reading, math, and writing. The School purchased more research based science materials to enhance students' learning in grades 5 and 8. The School purchased additional interim exams in math, reading and science to monitor students' progress. With the analysis of specific data, the teachers created an action plan to address those specific problem areas that offer the most significant opportunities for improvement. There was a Saturday tutorial free of charge twice a month in math beginning in September and lasting for 32 weeks prior to the 2010 FCAT. The ESE and 4th-6th grade teachers volunteered afterschool for 6 weeks to tutor students who were demonstrating weakness in math. The School is still in the process of obtaining joint accreditation from the Southern Association of Colleges and Schools ("SACS") and American Montessori Schools ("AMS") and expects the accreditation visit the spring of 2011.

Achievement

The School received an outstanding Participation Award from Reading Plus in recognition of being one of the top 30 schools in Miami-Dade County School district in hours logged in the Reading Plus system during the 2009-2010 school year. The School received a letter grade of "A" and made Adequate Yearly Progress (AYP).

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 \$483,966, a decrease of \$63,110 in comparison with the prior year.

Capital Assets

The School's investment in capital assets as of June 30, 2010 amounts to \$4,166,563 (net of accumulated depreciation). This investment in capital assets includes land, improvements other than buildings, school building, furniture, fixtures and computer equipment.

Note Payable

In January 2008 the School signed an agreement to refinance their note payable with a new \$3,825,000 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 of 6.20% (based on the 7-year Treasury + 2%). The balance at June 30, 2010 was \$3,654,899.

General Fund Budget Analysis and Highlights

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

	General Fund Budget		Actual Governmental funds
	Original Budget	Final Budget	General Fund
REVENUES			
State government grants	\$ 2,420,000	\$ 2,420,000	\$ 2,534,823
Charges for services and other grants	520,000	520,000	614,600
Interest and other income	15,000	15,000	2,589
TOTAL REVENUE	\$ 2,955,000	\$ 2,955,000	\$ 3,152,012
EXPENDITURES			
Instructional services	\$ 1,731,839	\$ 1,731,839	\$ 1,856,555
Instructional and curriculum development services	3,000	3,000	4,684
Instructional staff training services	40,000	40,000	25,325
Board	15,000	15,000	10,780
School administration	329,806	329,806	374,986
Facilities acquisition & construction	166,500	166,500	148,103
Fiscal services	20,800	20,800	27,486
Food services	58,444	58,444	43,251
Central services	116,000	116,000	114,641
Pupil transportation services	32,000	32,000	32,400
Operation of plant	188,000	188,000	178,162
Maintenance of plant	17,000	17,000	10,570
Debt services	230,000	230,000	298,179
TOTAL EXPENDITURES	2,948,389	2,948,389	3,125,122
Excess of revenues over expenditures	6,611	6,611	26,890
Other capital outlay	-	-	90,000
Net change in fund balance	\$ 6,611	\$ 6,611	\$ (63,110)

Note - The \$90,000 expenditure for the street flashers for student crosswalk were paid from funds previously designated in the fund balance. This item was not included in the fiscal year 2009-2010 budget because the commencement of the project was controlled by the county’s public works department and not the School.

Requests for Information

This financial report is intended to provide a general overview of the finances of the 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.

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities	
	2010	2009 (Summarized Comparative Information)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 390,318	\$ 466,955
Cash designated	-	90,000
Due from governmental agencies	7,860	16,997
Due from internal fund	257,600	28,000
Prepaid expenses and other assets	45,639	79,064
Total current assets	<u>701,417</u>	<u>681,016</u>
CAPITAL ASSETS		
Land	980,909	980,909
Building and improvements	3,414,253	3,326,836
Less accumulated depreciation	(393,639)	(314,212)
Improvements other than buildings	90,000	-
Less accumulated depreciation	(2,308)	-
Furniture, fixtures and computer equipment	151,481	154,561
Less accumulated depreciation	(74,133)	(69,520)
Total capital assets, net	<u>4,166,563</u>	<u>4,078,574</u>
TOTAL ASSETS	<u>\$ 4,867,980</u>	<u>\$ 4,759,590</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 23,312	\$ 12,592
Wages payable	194,139	121,348
Note payable - current portion	78,141	73,541
Total current liabilities	<u>295,592</u>	<u>207,481</u>
Note payable - long term portion	<u>3,576,758</u>	<u>3,654,746</u>
TOTAL LIABILITIES	<u>3,872,350</u>	<u>3,862,227</u>
NET ASSETS		
Invested in capital assets, net of related debt	511,664	350,287
Unrestricted, designated for capital projects	-	90,000
Unrestricted	483,966	457,076
TOTAL NET ASSETS	<u>995,630</u>	<u>897,363</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,867,980</u>	<u>\$ 4,759,590</u>

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

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Functions	2010				2009	
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	(Summarized Comparative Information) Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instructional services	\$ 1,839,647	\$ 614,600	\$ 7,526	\$ -	\$ (1,217,521)	\$ (1,283,237)
Instructional and curriculum development services	4,684	-	-	-	(4,684)	-
Instructional staff training services	25,325	-	-	-	(25,325)	(7,750)
Board	10,780	-	-	-	(10,780)	(10,112)
School administration	374,986	-	-	-	(374,986)	(374,936)
Facilities acquisition & construction	60,686	-	-	180,592	119,906	132,802
Fiscal services	27,486	-	-	-	(27,486)	(19,012)
Food services	43,251	-	-	-	(43,251)	(64,579)
Central services	114,641	-	-	-	(114,641)	(105,383)
Pupil transportation services	32,400	-	-	-	(32,400)	(36,310)
Operation of plant	178,162	-	-	-	(178,162)	(189,434)
Maintenance of plant	10,570	-	-	-	(10,570)	(9,067)
Interest on long-term debt	224,791	-	-	-	(224,791)	(230,145)
Unallocated depreciation expense and write-off	106,336	-	-	-	(106,336)	(93,615)
Total Governmental Activities	\$ 3,053,745	\$ 614,600	\$ 7,526	\$ 180,592	\$ (2,251,027)	\$ (2,290,778)
GENERAL REVENUES:						
					2,346,705	2,155,156
					2,589	1,907
					-	29,803
					2,349,294	2,186,866
					98,267	(103,912)
					897,363	1,001,275
					\$ 995,630	\$ 897,363

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

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.

BALANCE SHEET- GOVERNMENTAL FUNDS

JUNE 30, 2010

	2010		2009
	General Fund	Capital Projects Fund	Total Governmental Funds (Summarized Comparative Information)
ASSETS			
Cash and cash equivalents	\$ 390,318	\$ -	\$ 390,318
Cash designated	-	-	90,000
Due from governmental agencies	7,860	-	7,860
Due from internal fund	257,600	-	257,600
Prepaid expenses	45,639	-	45,639
TOTAL ASSETS	\$ 701,417	\$ -	\$ 701,417
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 23,312	\$ -	\$ 23,312
Wages payable	194,139	-	194,139
TOTAL LIABILITIES	217,451	-	217,451
FUND BALANCE			
Unreserved	483,966	-	483,966
TOTAL FUND BALANCE	483,966	-	483,966
TOTAL LIABILITIES AND FUND BALANCE	\$ 701,417	\$ -	\$ 701,417

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

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2010

Total Fund Balance - Governmental Funds \$ 483,966

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

Capital assets of \$4,636,643, net of accumulated depreciation of \$470,080 used in governmental activities are not financial resources and therefore are not reported in the fund. 4,166,563

Long-term liabilities of \$3,654,899 are not due and payable in the current period and therefore, are not reported in the funds. (3,654,899)

Total Net Assets - Governmental Activities \$ 995,630

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

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	2010		2009	
	General Fund	Capital Projects Fund	Total Governmental Funds	(Summarized Comparative Information)
REVENUES				
State government grants	\$ 2,534,823	\$ -	\$ 2,534,823	\$ 2,342,455
Charges for services and other grants	614,600	-	614,600	570,018
Other income	-	-	-	29,803
Interest	2,589	-	2,589	1,907
TOTAL REVENUES	<u>\$ 3,152,012</u>	<u>\$ -</u>	<u>\$ 3,152,012</u>	<u>\$ 2,944,183</u>
EXPENDITURES				
Current:				
Instructional services	\$ 1,856,555	\$ -	\$ 1,856,555	\$ 1,853,255
Instructional and curriculum development services	4,684	-	4,684	-
Instructional staff training services	25,325	-	25,325	7,750
Board	10,780	-	10,780	10,112
School administration	374,986	-	374,986	374,936
Facilities acquisition & construction	43,778	-	43,778	54,497
Fiscal services	27,486	-	27,486	19,012
Food services	43,251	-	43,251	64,579
Central services	114,641	-	114,641	105,383
Pupil transportation services	32,400	-	32,400	36,310
Operation of plant	178,162	-	178,162	189,434
Maintenance of plant	10,570	-	10,570	9,067
Capital Outlay:				
Facilities acquisition and renovation	104,325	-	104,325	55,691
Debt Service:				
Redemption of principal	73,388	-	73,388	69,085
Interest	224,791	-	224,791	230,145
TOTAL EXPENDITURES	<u>\$ 3,125,122</u>	<u>\$ -</u>	<u>\$ 3,125,122</u>	<u>\$ 3,079,256</u>
Excess (Deficiency) of revenues over expenditures	26,890	-	26,890	(135,073)
Other capital outlay	(90,000)	-	(90,000)	-
Fund balance at beginning of year	547,076	-	547,076	682,149
Fund balance at end of year	<u>\$ 483,966</u>	<u>\$ -</u>	<u>\$ 483,966</u>	<u>\$ 547,076</u>

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

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, 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, 2010

Net Change in Fund Balance - Governmental Funds \$ (63,110)

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 and reported as depreciation expense. This is the amount by which capital outlays of \$194,325 exceeded depreciation of \$106,336. 87,989

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 repayments of \$73,388 exceeded proceeds of \$0 in the current period. 73,388

Change in Net Assets of Governmental Activities \$ 98,267

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

**CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Agency Fund Student Activity
ASSETS	
Cash	<u>\$ 260,534</u>
TOTAL ASSETS	<u>\$ 260,534</u>
LIABILITIES	
Due to student groups	\$ 2,934
Due to general fund	257,600
TOTAL LIABILITIES	<u>\$ 260,534</u>

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

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 1002.33, 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 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Miami-Dade County, Florida (the “School Board”). The current charter is effective until June 30, 2012 and the School applied for and was granted a contract renewal for an additional five year period 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, 2010, when 357 students were enrolled in grades kindergarten through eighth and 99 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. 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.

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 and capital project funds 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.

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.

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the School reports the following fiduciary fund type:

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 and Cash Equivalents

The School’s cash is considered to be cash on hand and demand deposits, with original maturities of three months or less.

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.

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Compensated absences

The School grants a specific number of days of sick/personal leave. Full-time employees are eligible for one day per month of sick/personal leave up of to ten days of active work during the ten month period. Employees and administrators cannot carry-forward unused days at year-end.

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 CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Revenue Sources

Revenues for operations will be received primarily from the District School Board of Miami-Dade County (the "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 School Board 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.

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. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

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.

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 – CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2010:

Capital Assets	Balance 7/1/2009	Additions	Deletions	Balance 6/30/2010
Land	\$ 980,909	\$ -	\$ -	\$ 980,909
Building & improvements	3,326,836	87,417	-	3,414,253
Improvements other than buildings	-	90,000	-	90,000
Furniture & equipment	154,561	16,908	(19,988)	151,481
Total Capital Assets	\$ 4,462,306	\$ 194,325	\$ (19,988)	\$ 4,636,643
Less Accumulated Depreciation				
Building & improvements	\$ (314,212)	\$ (79,428)	\$ -	\$ (393,640)
Improvements other than buildings	-	(2,308)	-	(2,308)
Furniture & equipment	(69,520)	(24,600)	19,988	(74,132)
Total Accumulated Depreciation	\$ (383,732)	\$ (106,336)	\$ 19,988	\$ (470,080)
Capital Assets, net	<u>4,078,574</u>			<u>4,166,563</u>

Depreciation expense for the year ended June 30, 2010 was \$106,336.

NOTE 5 – RELATED PARTIES

Each of the co-directors of the School has relatives that serve on the School's board of directors. The daughter of a co-director, when home from college, was 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 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, 2010 was \$0.

NOTE 7 – NOTES PAYABLE

On January 8, 2008, the School refinanced their note payable due to the high interest rate under the previous agreement signed on November 15, 2006. The new note is collateralized by the School's building and land. The School's co-directors are guarantors of the note payable. The School's co-directors are guarantors of the note payable as required by the bank to facilitate securing the note to the School. Even though the co-directors are personal guarantors on the note, they do not hold, or are entitled to, any security interest on the School's building and land as these assets were acquired with government funds. 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. For the year ended June 30, 2010, the School's co-directors were paid \$17,000 each for a total of \$34,000. The note payable agreement contains a financial covenant which includes a debt service coverage ratio. At June 30, 2010, the School was in compliance with this covenant.

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 – NOTES PAYABLE (Continued)

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

	Balance 7/1/2009	Additions	Retirements	Balance 6/30/2010
Note payable, issued on January 8, 2008, with monthly payments of principal and interest totaling \$24,848, bearing interest of 6.00% based on the 7-year Treasury + 2.00%. The note matures on December 20, 2014.	\$ 3,728,287	\$ -	\$ (73,388)	\$ 3,654,899

Maturities of long-term debt are as follows:

Year Ended June 30	
2011	\$ 78,141
2012	82,432
2013	88,186
2014	93,704
2015	3,312,436
Total	<u>\$ 3,654,899</u>

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, 2010, the carrying amount of the School's cash deposit accounts was \$390,318 (operating) and \$260,534 (agency) and the respective bank balances totaled \$668,652 (operating) and \$263,541 (agency). At times, the balances held in deposits may exceed the Federal Depository Insurance Corporation (FDIC) limit.

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 – FLORIDA RETIREMENT SYSTEM

The School provides post-retirement benefits to its employee through the Florida Retirement System (FRS). The FRS is administered by the Division of Retirement in the State of Florida. During the year ended June 30, 2010, the School contributed \$138,693 to the FRS.

REQUIRED SUPPLEMENTAL INFORMATION

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET AND AC
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund Budget		Actual Governmental funds
	Original Budget	Final Budget	
REVENUES			
State government grants	\$ 2,420,000	\$ 2,420,000	\$ 2,534,823
Charges for services and other grants	520,000	520,000	614,600
Interest and other income	15,000	15,000	2,589
TOTAL REVENUE	\$ 2,955,000	\$ 2,955,000	\$ 3,152,012
EXPENDITURES			
Instructional services	\$ 1,731,839	\$ 1,731,839	\$ 1,856,555
Instructional and curriculum development services	3,000	3,000	4,684
Instructional staff training services	40,000	40,000	25,325
Board	15,000	15,000	10,780
School administration	329,806	329,806	374,986
Facilities acquisition & construction	166,500	166,500	148,103
Fiscal services	20,800	20,800	27,486
Food services	58,444	58,444	43,251
Central services	116,000	116,000	114,641
Pupil transportation services	32,000	32,000	32,400
Operation of plant	188,000	188,000	178,162
Maintenance of plant	17,000	17,000	10,570
Debt services	230,000	230,000	298,179
TOTAL EXPENDITURES	2,948,389	2,948,389	3,125,122
Excess of revenues over expenditures	6,611	6,611	26,890
Other capital outlay	-	-	90,000
Net change in fund balance	\$ 6,611	\$ 6,611	\$ (63,110)

See accompanying note to required supplemental information.

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2010

NOTE A – BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Board. The budget presented for the year ended June 30, 2010 has been amended according to Board procedures. During the fiscal year, expenditures were controlled at the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund for which a legally adopted budget exists.

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).

INDEPENDENT AUDITORS' 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
Coral Reef Montessori Academy Charter School, Inc.
Miami, Florida

We have audited the 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, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 1, 2010. 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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 the 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 Coral Reef Montessori Academy Charter School Inc.'s management, Board of Directors, others within the entity, the District School Board of Miami-Dade County, federal and state awarding agencies, the State of Florida Office of the Auditor General and other pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Verdeja & De Armas, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 1, 2010

MANAGEMENT LETTER

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

We have audited the financial statements of the governmental activities and each major fund of Coral Reef Montessori Academy Charter School, Inc. (the "School"), a non-major component unit of the District School Board of Miami-Dade County, as of and for the year ended June 30, 2010, and have issued our report thereon dated September 1, 2010.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in those reports, which are dated September 1, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, *Rules of the Auditor General*, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- 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. There were no findings made in the preceding annual financial audit report.
- Section 10.854(1)(e) 3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of contracts or grant agreements, or abuse, 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 findings.

- 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 have an inconsequential effect on the financial statement, considering both quantitative and qualitative factors: (1) violations of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the school is Coral Reef Montessori Academy Charter School, Inc.
- 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, we determined that Coral Reef Montessori Academy Charter School, Inc., Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Coral Reef Montessori Academy Charter School, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management.

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 Coral Reef Montessori Academy Charter Schools, Inc.'s management, Board of Directors, others within the entity, the District School Board of Miami-Dade County, and the State of Florida Office of the Auditor General, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Verdeja & De Armas, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 1, 2010