

**MIAMI ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF
MIAMI-DADE COUNTY, FLORIDA**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT THEREON**

JUNE 30, 2010



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Miami Arts, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the year ended June 30, 2010. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the year ended June 30, 2010, the School's revenues exceeded expenses by \$69,672.
- Total assets were \$737,585, and total liabilities were \$667,913, resulting in a fund balance of \$69,672 at June 30, 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditor's report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

| | Government-wide Statements | Fund Statements Governmental Funds |
|--|--|--|
| Scope | Entire School | The activities of the School that are not proprietary or fiduciary |
| Required financial statements | Statement of net assets Statement of activities | Balance sheet Statement of revenues, expenditures and changes in fund balances |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included |
| Type of inflow/outflow information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter |

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net assets are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has one kind of fund:

- *Governmental funds* – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's combined net assets for 2010 are summarized as follows (see table below).

| | Governmental Activities |
|---|------------------------------------|
| Current and other assets | \$ 181,244 |
| Capital assets, net | <u>556,341</u> |
| Total assets | <u>\$ 737,585</u> |
| Current and other liabilities | \$ 319,113 |
| Long-term liability | <u>348,800</u> |
| Total liabilities | <u>\$ 667,913</u> |
| Net assets: | |
| Invested in capital assets, net of related debt | \$ 120,341 |
| Unrestricted | <u>(50,669)</u> |
| Total net assets | <u>\$ 69,672</u> |

A comparative analysis will be provided in the future when prior year information is available.

Change in Net Assets

The School's total revenues exceeded total expenses by \$69,672 (see table below).

| | Governmental Activities |
|---|------------------------------------|
| Revenues: | |
| Federal sources | \$ 249,730 |
| State and local sources | 3,132,154 |
| Contributions and other revenue | 144,164 |
| Total revenues | <u>3,526,048</u> |
| Expenses: | |
| Instruction | 1,456,939 |
| Pupil personnel services | 91,236 |
| Board | 500 |
| General administration | 146,455 |
| School administration | 363,110 |
| Facilities acquisition and construction | 832,906 |
| Fiscal services | 40,485 |
| Food services | 34,008 |
| Central services | 3,530 |
| Pupil transportation | 10,499 |
| Operation of plant | 330,592 |
| Maintenance of plant | 62,714 |
| Administrative technology services | 40,722 |
| Unallocated depreciation expense | 42,680 |
| Total expenses | <u>3,456,376</u> |
| Change in net assets | <u>\$ 69,672</u> |

A comparative analysis will be provided in the future when prior year information is available.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund deficit of \$50,669.

General and Special Revenue Fund Budgetary Highlights

Over the course of the year, the School revised its budget several times. These budget amendments fall into two categories:

- Changes made to account for the increase in student enrollment.
- Increases in appropriations to prevent certain budget overruns.

For the year ended June 30, 2010, actual general fund revenues were approximately \$146,000 above the final budgeted amounts, which represents a 5% budget variance. Actual general fund expenditures were approximately \$633,000 above the final budgeted amounts due to increased expenditures for food services and capital outlay, which represents a 20% budget variance.

For the year ended June 30, 2010, actual special fund revenues and expenditures were not different from final budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2010, the School had invested \$599,021 in a broad range of capital assets (see table below).

| | Governmental Activities |
|-----------------------------------|------------------------------------|
| Leasehold improvements | \$ 185,749 |
| Furniture, fixtures and equipment | 413,272 |
| Total capital assets | <u>\$ 599,021</u> |

This year's major capital asset additions included the following:

- Furniture - \$88,517
- Air Conditioning System - \$42,775
- Kitchen Equipment - \$20,047
- 25 Dell Computers - \$16,153
- 15 Macintosh Computers - \$12,240

The School's fiscal year 2011 capital budget includes spending an additional \$114,470 for capital projects. The School intends to finance these projects with resources on hand. More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

Long-Term Liability

At year-end, the School had \$436,000 in a note payable outstanding. During the year, the School completed the renovation of a leased building and purchased a significant amount of assets to begin school operations. More detailed information about the School's long-term liability is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

When adopting the general fund budget for fiscal year 2011, the School considered the expected increase in student enrollment and resulting increase in salaries due to additional teachers.

Amounts available for appropriation in the general fund are approximately \$3,649,000, an increase of 11% over the final 2010 amount of \$3,276,318. FEFP revenue (benefiting from an increase in student population) is expected to lead this increase. The School will use this increase in revenue to finance programs currently offered and to offset the expected impact of inflation on program costs.

Budgeted expenditures are expected to decrease overall by 5% from the final 2010 amount to \$3,563,730. The School has added no major new programs to the fiscal 2011 budget.

If these estimates are realized, the School's budgetary general fund balance is expected to increase by the close of fiscal 2011.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 3900 Biscayne Boulevard, Miami, Florida 33137.

**Report of Independent Auditors on Basic Financial Statements
and Supplementary Information**

To the Board of Directors of Miami Arts, Inc., a Charter School
and Component Unit of the District School Board of Miami-Dade County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Miami Arts, Inc. (the "School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, 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 financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Miami Arts, Inc. as of June 30, 2010, and the respective changes in financial position thereof 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 22, 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 7 and 25 through 26, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKHM, P.A.

Winter Park, Florida
September 22, 2010

MIAMI ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

STATEMENT OF NET ASSETS

JUNE 30, 2010

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 181,244 |
| Capital assets: | |
| Leasehold improvements | 185,749 |
| Furniture, fixtures and equipment | 413,272 |
| Less accumulated depreciation | <u>(42,680)</u> |
| Total capital assets, net | <u>556,341</u> |
| Total assets | <u><u>\$ 737,585</u></u> |
| LIABILITIES | |
| Accounts payable and accrued expenses | \$ 231,913 |
| Long-term liability: | |
| Portion due or payable within one year: | |
| Note payable | 87,200 |
| Portion due or payable after one year: | |
| Note payable | <u>348,800</u> |
| Total liabilities | <u>667,913</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 120,341 |
| Unrestricted | <u>(50,669)</u> |
| Total net assets | <u>69,672</u> |
| Total liabilities and net assets | <u><u>\$ 737,585</u></u> |

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

MIAMI ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

STATEMENT OF ACTIVITIES

FOR YEAR ENDED JUNE 30, 2010

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|---------------------|-------------------------|--|--|----------------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Total |
| Governmental activities: | | | | | | |
| Instruction | \$ 1,456,939 | \$ - | \$ 65,535 | \$ - | \$ (1,391,404) | \$ (1,391,404) |
| Pupil personnel services | 91,236 | - | - | - | (91,236) | (91,236) |
| Board | 500 | - | 500 | - | - | - |
| General administration | 146,455 | - | - | - | (146,455) | (146,455) |
| School administration | 363,110 | - | 106,759 | - | (256,351) | (256,351) |
| Facilities acquisition and construction | 832,906 | - | 21,500 | - | (811,406) | (811,406) |
| Fiscal services | 40,485 | - | - | - | (40,485) | (40,485) |
| Food services | 34,008 | - | - | - | (34,008) | (34,008) |
| Central services | 3,530 | - | - | - | (3,530) | (3,530) |
| Pupil transportation | 10,499 | - | - | - | (10,499) | (10,499) |
| Operation of plant | 330,592 | - | - | - | (330,592) | (330,592) |
| Maintenance of plant | 62,714 | - | - | - | (62,714) | (62,714) |
| Administrative technology services | 40,722 | - | - | - | (40,722) | (40,722) |
| Unallocated depreciation expense | 42,680 | - | - | - | (42,680) | (42,680) |
| Total primary government | \$ 3,456,376 | \$ - | \$ 194,294 | \$ - | \$ (3,262,082) | \$ (3,262,082) |

General revenues:

| | | |
|-----------------------------------|------------------|------------------|
| Federal sources | 55,436 | 55,436 |
| State and local sources | 3,132,154 | 3,132,154 |
| Contributions and other revenue | 144,164 | 144,164 |
| Total general revenues | 3,331,754 | 3,331,754 |
| Change in net assets | 69,672 | 69,672 |
| Net assets at beginning of period | - | - |
| Net assets at end of period | \$ 69,672 | \$ 69,672 |

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

MIAMI ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2010

| | <u>General Fund</u> |
|---|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 181,244 |
| Total assets | <u>181,244</u> |
| LIABILITIES AND FUND BALANCES | |
| Accounts payable and accrued expenditures | \$ 231,913 |
| Total liabilities | <u>231,913</u> |
| Fund balances: | |
| Unreserved: | |
| Undesignated | <u>(50,669)</u> |
| Total fund deficit | <u>(50,669)</u> |
| Total liabilities and fund balances | <u>\$ 181,244</u> |

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

MIAMI ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

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

JUNE 30, 2010

| | |
|---|--------------------|
| Total fund balance - governmental fund | \$ (50,669) |
|---|--------------------|

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

| | |
|--|---------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$599,021 and the accumulated depreciation is \$42,680. | 556,341 |
|--|---------|

Long-term liability, including a note payable, is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. The long-term liability at year-end consisted of:

| | |
|--------------|------------------|
| Note payable | <u>(436,000)</u> |
|--------------|------------------|

| | |
|---|--------------------------------|
| Total net assets - governmental activities | <u><u>\$ 69,672</u></u> |
|---|--------------------------------|

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

MIAMI ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

| | General Fund | Special Revenue Fund | Total Governmental Funds |
|---|--------------------|----------------------------|--------------------------------|
| REVENUES | | | |
| Federal sources | \$ - | \$ 249,730 | \$ 249,730 |
| State and local sources | 3,132,154 | - | 3,132,154 |
| Contributions and other revenue | 144,164 | - | 144,164 |
| Total revenues | <u>3,276,318</u> | <u>249,730</u> | <u>3,526,048</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Instruction | 1,391,404 | 65,535 | 1,456,939 |
| Pupil personnel services | 91,236 | - | 91,236 |
| Board | - | 500 | 500 |
| General administration | 146,455 | - | 146,455 |
| School administration | 256,351 | 106,759 | 363,110 |
| Facilities acquisition and construction | 811,406 | 21,500 | 832,906 |
| Fiscal services | 40,485 | - | 40,485 |
| Food services | 34,008 | - | 34,008 |
| Central services | 3,530 | - | 3,530 |
| Pupil transportation | 10,499 | - | 10,499 |
| Operation of plant | 330,592 | - | 330,592 |
| Maintenance of plant | 62,714 | - | 62,714 |
| Administrative technology services | 40,722 | - | 40,722 |
| Capital outlay | <u>543,585</u> | <u>55,436</u> | <u>599,021</u> |
| Total expenditures | <u>3,762,987</u> | <u>249,730</u> | <u>4,012,717</u> |
| Deficiency of revenues over expenditures | (486,669) | - | (486,669) |
| OTHER FINANCING SOURCES | | | |
| Proceeds from loan | <u>436,000</u> | - | <u>436,000</u> |
| Total other financing sources | <u>436,000</u> | - | <u>436,000</u> |
| Net changes in fund balances | (50,669) | - | (50,669) |
| Fund balances at beginning of year | - | - | - |
| Fund deficit at end of year | <u>\$ (50,669)</u> | <u>-</u> | <u>\$ (50,669)</u> |

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

MIAMI ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Net changes in fund balances - total governmental funds \$ (50,669)

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 are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$599,021) exceeds depreciation expense (\$42,680) in the current period. 556,341

Loan proceeds provide current financial resources to governmental funds, but increase the long-term liability in the statement of net assets. (436,000)

Change in net assets of governmental activities \$ 69,672

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

**MIAMI ARTS, INC.,
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Miami Arts, 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 not-for-profit corporation Board of Directors, which is composed of three members. The School began operations in fiscal 2010.

The general operating authority of 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, 2014 and may be renewed in increments of one year by mutual written 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 this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board's ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the *GASB Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Recently issued accounting pronouncements

During fiscal year 2010, the School adopted changes issued by the Financial Accounting Standards Board ("FASB") related to disclosure of subsequent events. These changes require the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through September 22, 2010, which is the date the financial statements were available to be issued.

MIAMI ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(continued)

During fiscal year 2010, the School adopted guidance issued by the GASB that incorporates accounting and financial reporting guidance previously contained in the American Institute of Certified Public Accountants ("AICPA") auditing literature into the GASB's accounting and financial reporting literature for state and local governments. This guidance did not have a material impact on the financial statements of the School.

Basis of presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Accordingly, both government-wide and fund financial statements are presented.

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund - to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund - to account for the proceeds of specific revenue sources and Federal grants that are restricted by law or administrative action to expenditure for specific purposes.

MIAMI ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(continued)

For purposes of these statements, the general and special revenue funds constitute major funds. There are no other governmental funds.

Basis of accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current year or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when 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 consists primarily of demand deposits with financial institutions. All amounts are fully insured within the Federal Deposit Insurance Corporation limits

Capital assets and depreciation

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. For purposes of recording capital assets, the School has a capitalization threshold of \$1,000. The School considers all capital assets to be shared by all functions, therefore depreciation expense is not directly allocated but presented in the statements as unallocated depreciation expense.

MIAMI ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

| | <u>Years</u> |
|-----------------------------------|--------------|
| Leasehold improvements | 10 |
| Furniture, fixtures and equipment | 4 - 7 |

Information relative to changes in capital assets is described in Note 2.

Long-term liability

Long-term obligations that will be financed by resources to be received in the future by the General Fund are reported in the government-wide financial statements, not in the General Fund. Changes in the long-term liability for the current year are reported in Note 4.

Revenue sources

Revenues for current operations are received primarily from the District School Board of Miami-Dade County, Florida pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education ("FDOE") by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the Florida Education Finance Program ("FEFP"). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey years. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds. This administrative fee is calculated on the FEFP revenue up to 500 students. The difference between the actual fee and the fee as calculated on total FEFP revenue is restricted for capital outlay expenditures. As of June 30, 2010, the School had expended all available funds for this purpose.

The School may receive federal awards for the enhancement of various educational programs. This assistance is 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.

MIAMI ARTS, INC.
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NOTES TO FINANCIAL STATEMENTS
(continued)

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenditures for the year presented. Actual results could differ significantly from those estimates.

2 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Leasehold improvements | \$ - | \$ 185,749 | \$ - | \$ 185,749 |
| Furniture, fixtures and equipment | - | 413,272 | - | 413,272 |
| Total capital assets at historical cost | <u>-</u> | <u>599,021</u> | <u>-</u> | <u>599,021</u> |
| Less accumulated depreciation for: | | | | |
| Leasehold improvements | - | (34,700) | - | (34,700) |
| Furniture, fixtures and equipment | <u>-</u> | <u>(7,980)</u> | <u>-</u> | <u>(7,980)</u> |
| Total accumulated depreciation | <u>-</u> | <u>(42,680)</u> | <u>-</u> | <u>(42,680)</u> |
| Governmental activities capital assets, net | <u>\$ -</u> | <u>\$ 556,341</u> | <u>\$ -</u> | <u>\$ 556,341</u> |

Depreciation expense was not charged by function but included in the statement of activities as unallocated depreciation.

MIAMI ARTS, INC.
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NOTES TO FINANCIAL STATEMENTS
(continued)

3 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

The following is a schedule of state and local revenue sources and amounts:

| | |
|---|---------------------|
| District School Board of Miami-Dade, Florida: | |
| Florida Education Finance Program | \$ 1,969,365 |
| Class size reduction | 490,794 |
| Discretionary millage | 217,949 |
| State fiscal stabilization funds | 176,402 |
| Supplemental academic instruction | 172,110 |
| ESE guaranteed allocation | 45,968 |
| Instructional materials | 42,504 |
| Safe schools | 15,615 |
| Discretionary lottery funds | <u>1,447</u> |
| Total | <u>\$ 3,132,154</u> |

The administration fee paid to the School Board during the year ended June 30, 2010 totaled approximately \$146,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

4 LONG-TERM LIABILITY

The long-term liability consists of a note payable to a related party, which is secured by the School's capital assets. During 2010, the School financed the renovation of a leased facility and purchases of various furniture fixtures and equipment to finance the start-up of the School. The original terms of the note include monthly principal only payments of \$7,266.66, beginning on October 2009 with the principal balance due on or before September 2014. There is no stated rate of interest. The holder of the loan has agreed to defer the loan payments for fiscal 2010.

MIAMI ARTS, INC.
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NOTES TO FINANCIAL STATEMENTS
(continued)

Activity during the current fiscal year was as follows:

| | | |
|--|----|---------|
| Balance outstanding at beginning of year | \$ | - |
| Additions | | 436,000 |
| Reductions | | - |
| | | - |
| Balance outstanding at end of year | \$ | 436,000 |
| Amount due within one year | \$ | 87,200 |

Future debt service requirements related to the mortgage note payable are as follows:

| Year ending June 30, | Principal |
|-------------------------|------------|
| 2011 | \$ 87,200 |
| 2012 | 87,200 |
| 2013 | 87,200 |
| 2014 | 174,400 |
| Total | \$ 436,000 |

5 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

6 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2010 may be impaired.

MIAMI ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
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NOTES TO FINANCIAL STATEMENTS
(continued)

In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

Lease commitments

The School leases certain property under a noncancelable five year operating lease. This lease contains a five year renewal option and requires the School to pay insurance and other costs. Aggregate remaining minimum rental commitments as of June 30, 2010 under this lease are summarized as follows:

| Year ended June 30, | Amount |
|-------------------------------------|-------------|
| 2011 | \$ 795,000 |
| 2012 | 840,833 |
| 2013 | 890,833 |
| 2014 | 895,000 |
| Thereafter | 74,583 |
| Total future minimum lease payments | \$3,496,249 |

In addition to the future minimum lease payments above, the lease agreement also requires monthly payments in the amount of \$7,812.50 beginning on August 1, 2010 and continuing through July 1, 2014, which sums shall be retained by the lessor as security for the payment of rent by the School.

Rental expense for the year ended June 30, 2010 was approximately \$833,000. Included in the rental expense is \$86,656 of landlord assessed property tax expenses paid by the School due to the timing of filing the Charter School Facilities Tax Exemption Application to the Florida Department of Revenue.

In connection with the operating lease above, the School entered into a credit enhancement agreement with Charter Schools Development Corporation to provide a standby letter of credit to the landlord in the amount of \$375,000 as collateral security for the School's obligations pursuant to the lease. Per the lease agreement, if as of August 1, 2012 the security deposit delivered by the School is in the amount of at least \$187,500, the letter of credit shall be reduced to the amount of \$187,500.

MIAMI ARTS, INC.
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NOTES TO FINANCIAL STATEMENTS
(continued)

7 RELATED PARTY TRANSACTIONS

New Way Schools, Inc.

The School has a management agreement ("Agreement") with New Way Schools, Inc. ("NWS"), a Florida corporation, to provide certain educational services and management to the School. The President of NWS serves as the Director of the School. The Agreement calls for the School to pay NWS a management fee of 12% of the School's gross receipts, excluding any proceeds from borrowings undertaken by the School. In fiscal year 2010, the management fees were waived and no payments were made. NWS is also the holder of the note payable discussed in Note 4.

MIAMI ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2010

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive (Negative) |
|---|------------------|------------------|--------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| State and local sources | \$ 3,274,731 | \$ 2,985,700 | \$ 3,132,154 | \$ 146,454 |
| Contributions and other revenue | 80,750 | 144,170 | 144,164 | (6) |
| Total revenues | 3,355,481 | 3,129,870 | 3,276,318 | 146,448 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 1,338,495 | 1,415,970 | 1,391,404 | 24,566 |
| Pupil personnel services | 124,360 | 91,240 | 91,236 | 4 |
| Instructional Staff Training Services | 13,915 | - | - | - |
| Board | 17,000 | - | - | - |
| General administration | 163,703 | - | 146,455 | (146,455) |
| School administration | 294,496 | 279,170 | 256,351 | 22,819 |
| Facilities acquisition and construction | 956,484 | 824,960 | 811,406 | 13,554 |
| Fiscal services | 45,408 | 40,470 | 40,485 | (15) |
| Food services | 1,000 | 34,010 | 34,008 | 2 |
| Central services | 5,600 | 6,190 | 3,530 | 2,660 |
| Pupil transportation | 5,000 | 10,500 | 10,499 | 1 |
| Operation of plant | 152,744 | 323,910 | 330,592 | (6,682) |
| Maintenance of plant | 35,808 | 62,720 | 62,714 | 6 |
| Instructional Related Technology | 59,744 | - | - | - |
| Administrative technology services | - | 40,730 | 40,722 | 8 |
| Capital outlay | 60,000 | - | 543,585 | (543,585) |
| Total expenditures | 3,273,757 | 3,129,870 | 3,762,987 | (633,117) |
| Excess of revenues over expenditures | 81,724 | - | (486,669) | (486,669) |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from loan | - | - | 436,000 | 436,000 |
| Total other financing sources | - | - | 436,000 | 436,000 |
| Net changes in fund balance | 81,724 | - | (50,669) | (50,669) |
| Fund balance at beginning of year | - | - | - | - |
| Fund balance at end of year | \$ 81,724 | \$ - | \$ (50,669) | \$ (50,669) |

See report of independent auditors.

MIAMI ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2010

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive (Negative) |
|---|------------------|------------|------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Federal sources | \$ 250,000 | \$ 249,730 | \$ 249,730 | \$ - |
| Total revenues | 250,000 | 249,730 | 249,730 | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 91,000 | 65,535 | 65,535 | - |
| Pupil personnel services | 3,115 | - | - | - |
| Board | 270 | 500 | 500 | - |
| School administration | 155,615 | 106,760 | 106,759 | 1 |
| Facilities acquisition and construction | - | 21,500 | 21,500 | - |
| Capital outlay | - | 55,435 | 55,436 | (1) |
| Total expenditures | 250,000 | 249,730 | 249,730 | - |
| Excess of revenues over expenditures | - | - | - | - |
| Fund balance at beginning of year | - | - | - | - |
| Fund balance at end of year | \$ - | \$ - | \$ - | \$ - |

See report of independent auditors.

**Report of Independent Auditors 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***

To the Board of Directors of Miami Arts, Inc., a Charter School
and Component Unit of the District School Board of Miami-Dade County, Florida

We have audited the financial statements of the governmental activities and each major fund of Miami Arts, Inc. (the "School"), a component unit of the District School Board of Miami-Dade County, Florida, 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 22, 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 opinions 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 internal control that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described as follows:

2010-01: Notice for Reporting Alleged Misconduct: Florida Statutes, Section 1006.061(2), state that each school must post in a prominent place at each school site and on each school's internet website, if available, the policies and procedures for reporting alleged misconduct by instructional personnel or school administrators which affects the health, safety or welfare of a student; the contact person to whom the report is made; and the penalties imposed on instructional personnel or school administrators who fail to report such misconduct. During our audit procedures, we noted that the appropriate notice was not posted in on the School's website. We recommend that the School post the appropriate notice on the School's website immediately, using the sample poster provided by the Florida Department of Education.

2010-02: Deficit Financial Position: Our audit revealed that the School had a deficit in unrestricted net assets and a governmental fund deficit of \$50,669, for which sufficient resources were not available to cover the deficit. The fiscal year 2011 budget, which has been approved by the board, projects the elimination of this deficit by the end of the fiscal year.

2010-03: Board Training: Florida Statutes, Section 1002.33(9)(j), states that all board members should complete the required board governance training within 90 days of joining the board. During our audit procedures, we noted that several board members had not completed the governance training within the required time frame. We recommend that these board members complete the training immediately and submit the required documentation to the School Board and Florida Department of Education.

2010-04: Board Fingerprinting and Background Checks: Florida Statutes, Section 1002.33(12)(g) states all board members undergo background screening, by filing with the school district a set of fingerprints taken by an authorized law enforcement agency or an employee of the school district who is trained to take fingerprints. As of June 30, 2010 none of the board members for the school had submitted their fingerprints to the School district. We recommend the board contact an authorized law enforcement agency and submit their fingerprint records to the district immediately.

2010-05: Financial Reporting: Our audit procedures disclosed that during the fiscal 2010 year, the School did not provide the unaudited financial statements and cost reports as required by state statute and charter contract with the sponsoring District School Board of Miami-Dade County in a timely manner. In addition, the School did not file its final financial audit in a timely manner.

The School's response to the findings identified in our audit is included in the Written Statement of Explanation or Rebuttal on page 33. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the School, the Board of Directors the District School Board of Miami-Dade County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
September 22, 2010

**ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE AUDITOR GENERAL,
CHAPTER 10.850, *AUDITS OF CHARTER SCHOOLS AND SIMILAR ENTITIES***

To the Board of Directors of Miami Arts, Inc., a Charter School
and Component Unit of the District School Board of Miami-Dade County, Florida

We have audited the financial statements of the Miami Arts, Inc., as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated September 22, 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 Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in those reports and schedule, which are dated September 22, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which 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:

- 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. This is the first year of operations, therefore there was no preceding 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 provisions of contracts or grant agreements, or abuse that have or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such 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 statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2)

deficiencies in internal control 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 name of the School is Miami Arts, 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 met. During the course of our audit, it came to our attention that the School had met one of the conditions described in Section 218.503(1), Florida Statutes (the "conditions"). Our audit revealed that the School had a deficit in the governmental fund balance of \$50,669 as of June 30, 2010, for which sufficient resources are not available to cover the deficit. This condition did not result from a deteriorating financial condition. In planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2010, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. It is management's responsibility to monitor the School'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.

The School's response to the findings identified in our audit is included in the Written Statement of Explanation or Rebuttal on page 33. We did not audit the School's response and, accordingly, we express no opinion on it.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
September 22, 2010

Miamiarts charter school

WRITTEN STATEMENT OF EXPLANATION TO FINDINGS IDENTIFIED IN INDEPENDENT AUDIT REPORT

Compliance and Other Matters

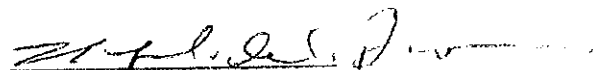
2010-01: Notice for Reporting Alleged Misconduct: The school was not aware of the requirement under Florida Statutes, Section 1006.061(2) to post prominently the policies and procedures for reporting alleged misconduct. The school has now posted prominently the poster "Reporting Professional Misconduct" as provided by the Florida Department of Education and has also provided a link on the school's website at <http://miamiartscharter.net/Report-Professional-Misconduct.html>.

2010-02: Deficit Financial Position: As a first year school opening in 2009-2010, Miami Arts Charter School incurred numerous unexpected expenses that were unavoidable due to capital improvements and construction work that had to be completed in order to satisfy changes in requirements by local municipalities and governmental agencies. This includes renovations in the food service area to satisfy code as per the Florida Health Department. Other start-up expenses included interior renovations necessary to provide additional and adequate instructional classroom spaces, including dance room renovations, flooring and other such start-up costs that were needed to deliver instruction. The school's 2010-2011 budget provides for a surplus of revenue. Thus, the 2009-2010 deficit will be remedied through increased student enrollment already in place leading to a surplus that will cover the deficit.

2010-03: Board Training: The school has registered with an agent licensed to offer on-line training and certification in board governance training and all board members are currently trained or, in the process of completing, the required course. Once completed, all training certification will be submitted to the School Board of Miami-Dade County and the Florida Department of Education. A policy of requiring any new board members to complete the required training prior to acting as official voting members has been installed so as to prevent any future failure to comply with Florida Statutes, Section 1002.33(9)(j).

2010-04: Board Fingerprinting and Background Checks: All board members will submit immediately a fingerprinting and drug screening form along with board minutes or Resolution indicating that board members have been selected to Miami-Dade County Public Schools Charter School Operations, as required to comply with this rule. Once cleared, the school will upload each respective board member's name in the Charter School Content Management System (CSCMS) in order to obtain their official status of activation.

2010-05: Financial Reporting: The school will work closely in the future with its financial consultant in order to provide timely reports, financial statements and audits to avoid any future delay toward submittal of all required financial accountability statements or audits as required by Florida Statutes and the School Board of Miami-Dade County, Florida. Additionally, the school intends to work closely with the independent auditor in order to better plan field work schedules thereby improving timeliness. In the future, the school will now be far better suited to address the sensitivities regarding adherence to required timelines. Thus, the gathering and provision of data for the annual audit will begin earlier in the year and all financial reporting shall be submitted on or prior to the respective deadlines.


Alfredo de la Rosa, Director

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