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Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Miami, Florida

Financial Statements And
Independent Auditors' Report

June 30, 2010

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Pinecrest Academy (South Campus)
Main Campus: 15130 SW 80th Street
Miami, FL 33193
North Campus: 10207 W Flagler Street
Miami, FL 33174

2009-2010

BOARD OF DIRECTORS

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pinecrest Academy (South Campus)
Miami, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Pinecrest Academy (South Campus) (the "School"), a charter school under Pinecrest Academy, Inc., which is a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2010, which collectively comprises 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.

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

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Pinecrest Academy (South Campus) at June 30, 2010, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Pinecrest Academy, Inc.

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 Pinecrest Academy (South Campus), 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 August 30, 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 should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 4 through 8 and 25 through 26, respectively, 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.

HLB Grainer, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2010

Management's Discussion and Analysis
Pinecrest Academy (South Campus)
(A Charter school Under Pinecrest Academy, Inc.)
June 30, 2010

The corporate officers of Pinecrest Academy (South Campus) have prepared this narrative overview and analysis of the school's financial activities for the year ended June 30, 2010.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2007 by \$1,431,165 (net assets).
2. At year-end, the School had current assets on hand of \$1,054,247.
3. The net assets of the School increased by \$726,957 during the year.

Overview of the Financial Statements

This discussion and analysis is 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 when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 9 - 10 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 appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 11 - 15 of this report.

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 16-24 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Assets exceeded liabilities by \$1,431,165 at the close of the fiscal year. As noted earlier, net assets may serve over time as a useful indicator of a charter school's financial position. A summary of the School's net assets as of June 30, 2010 and 2009 follows:

	2010	2009
Cash	\$ 865,449	\$ 337,303
Due from other government agencies	82,534	68,098
Due from other Schools	-	38,373
Prepaid Expenses	62,148	51,553
Capital Assets	777,229	414,458
Intangible Costs	71,652	75,633
Deposits	44,116	13,225
Total Assets	<u>\$ 1,903,128</u>	<u>\$ 998,643</u>
Accrued Liabilities	290,228	180,497
Accounts payable	67,602	14,317
Deposits	114,133	86,708
Capital Lease Payable	-	12,913
Total Liabilities	<u>\$ 471,963</u>	<u>\$ 294,435</u>
Invested in Capital Assets	\$ 777,229	\$ 411,937
Restricted	295,045	-
Unrestricted	358,891	20,982
Total Net Assets	<u>\$ 1,431,165</u>	<u>\$ 432,919</u>

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

A summary and analysis of the School's revenues and expenses from inception through June 30, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
REVENUES		
Program Revenues		
Capital Outlay Funding	\$ 651,691	\$ 337,052
School lunch program	171,764	88,170
Charges for services	491,186	352,038
General Revenues		
FTE Nonspecific Revenues	6,334,996	3,662,786
Other Revenues	68,353	581
Total Revenues	<u>\$ 7,717,990</u>	<u>\$ 4,440,627</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 3,377,901	\$ 2,129,888
Instructional Staff Training Services	12,561	3,336
Board	17,335	15,288
School Administration	1,067,609	584,464
Facilities Acquisition	17,799	5,449
Fiscal Services	150,400	86,475
Food Services	267,126	163,704
Central Services	181,243	93,353
Operation of Plant	1,546,141	866,069
Community Services	229,213	151,176
Maintenance of Plant	123,705	70,136
Total Expenses	<u>\$ 6,991,033</u>	<u>\$ 4,169,338</u>
Increase in Net Assets	726,957	271,289
Net Assets at Beginning of Year	704,208	432,919
Net Assets at End of Year	<u>\$ 1,431,165</u>	<u>\$ 704,208</u>

The School's revenue and expenses increased by \$3,277,363 and \$2,821,695, respectively in the current year as a result of a large increase in student enrollment due to the opening of the North Campus in 2010. The North Campus facility enrolled approximately 254 new students during the year. The School had an increase in its net assets of \$726,957.

Accomplishments

In 2010, Pinecrest Academy (South Campus) earned a letter grade of "A" for the 4th consecutive year, and ranked among the top-performing public elementary schools in Miami-Dade County, based on the points it received under the State of Florida Accountability Program. The School received a "School Recognition Award" from the Florida Department of Education and the "Superintendent's Platinum Award" for its achievements. It also achieved Adequate Yearly Progress under No Child Left Behind "A" School.

Pinecrest provides its students with a rigorous curriculum, as well as an extra-curricular program of activities, including team sports and clubs, including basketball, cheerleading, and soccer. Book Fairs (Fall & Spring), Fall "Say No To Drugs" Walk-a-Thon, Miami Dolphins Fins Frenzy contest winner, Spring Science Fair, Youth Fair Exhibits, Art Exhibitions, St. Jude's Math-a-Thon, and the Fourth & Fifth Grade St. Augustine Field Trip.

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 fund reported a fund balance of \$582,284.

Capital Assets

The School's investment in capital assets as of June 30, 2010 amounts to \$777,229 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment.

Governmental Fund Budget Analysis and Highlights

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Capital outlay	\$ 600,000	\$ 655,000	\$ 651,691
Operating Grants and Contributions	150,000	172,000	171,764
Charges for Services	400,000	475,000	491,186
General Revenues			
FTE Nonspecific Revenues	6,250,000	6,300,000	6,334,996
Other Revenues	45,000	65,000	68,353
Total Revenues	<u>\$ 7,445,000</u>	<u>\$ 7,667,000</u>	<u>\$ 7,717,990</u>
CURRENT EXPENDITURES			
Component Unit Activities:			
Instruction	\$ 3,200,000	\$ 3,210,000	\$ 3,202,065
Instructional Staff Training Services	15,000	15,000	12,561
Board	20,000	20,000	17,335
School Administration	1,050,000	1,100,000	1,067,609
Fiscal Services	135,000	165,000	150,400
Food Services	200,000	272,000	261,763
Central Services	180,000	185,000	181,243
Operation of Plant	1,350,000	1,455,000	1,431,287
Community Services	245,000	245,000	229,213
Maintenance of Plant	115,000	115,000	109,035
Total Current Expenditures	<u>\$ 6,510,000</u>	<u>\$ 6,782,000</u>	<u>\$ 6,662,511</u>

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC, 6361 Sunset Drive, Miami, Florida, 33155.

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Statement of Net Assets
June 30, 2010

Assets

Current Assets:

Cash	865,449
Due from other government agencies	82,534
Prepaid expenses and other assets	<u>106,264</u>
	1,054,247

Capital assets, depreciable	1,508,364
Less accumulated depreciation	<u>(731,135)</u>
	777,229

Intangible costs	79,614
Less accumulated amortization	<u>(7,962)</u>
	<u>71,652</u>

Total Assets \$ 1,903,128

Liabilities and Net Assets

Current Liabilities:

Accounts payable	67,602
Deposits	114,133
Accrued liabilities	<u>290,228</u>

Total Liabilities 471,963

Net Assets:

Invested in capital assets	777,229
Restricted by lease agreement	295,045
Unrestricted	<u>358,891</u>
Total Net Assets	<u>1,431,165</u>

Total Liabilities and Net Assets \$ 1,903,128

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

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Statement of Activities
For the year ended June 30, 2010

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$3,377,901	125,124	\$ -	\$ -	\$ (3,252,777)
Instructional staff training	12,561	-	-	-	(12,561)
Board	17,335	-	-	-	(17,335)
School administration	1,067,609	-	-	-	(1,067,609)
Facilities acquisition	17,799	-	-	-	(17,799)
Fiscal services	150,400	-	-	-	(150,400)
Central services	181,243	-	-	-	(181,243)
Food services	267,126	95,468	171,764	-	106
Maintenance of plant	123,705	-	-	-	(123,705)
Operation of Plant	1,546,141	42,320	-	651,691	(852,130)
Community services	229,213	228,274	-	-	(939)
Total Governmental Activities	6,991,033	491,186	171,764	651,691	(5,676,392)
General revenues:					
FTE nonspecific revenues					6,334,996
Fundraising and other revenue					68,353
Change in net assets					726,957
Net assets, beginning					704,208
Net assets, ending					<u>\$ 1,431,165</u>

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

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Balance Sheet - Governmental Funds
June 30, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>Assets</u>			
Cash	\$ 865,449	\$ -	\$ 865,449
Due from other government agencies	-	82,534	82,534
Due from fund	82,534	-	82,534
Prepaid expenses and other assets	106,264	-	106,264
Total Assets	<u>\$ 1,054,247</u>	<u>\$ 82,534</u>	<u>\$ 1,136,781</u>
<u>Liabilities</u>			
Accounts payable	\$ 67,602	\$ -	\$ 67,602
Accrued liabilities	290,228	-	290,228
Due to fund	-	82,534	82,534
Deposits	114,133	-	114,133
Total Liabilities	<u>471,963</u>	<u>82,534</u>	<u>554,497</u>
<u>Fund balance</u>			
Reserved	295,045		295,045
Unreserved	287,239	-	287,239
	<u>582,284</u>	<u>-</u>	<u>582,284</u>
Total Liabilities and Fund Balance	<u>\$ 1,054,247</u>	<u>\$ 82,534</u>	<u>\$ 1,136,781</u>

The accompanying notes are an integral part of this financial statement

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets
For the year ended June 30, 2010

Total Fund Balance - Governmental Funds \$ 582,284

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

Capital assets of \$1,508,364 net of accumulated depreciation of \$731,135 used in governmental activities are not financial resources and therefore are not reported in the fund. 777,229

Intangible costs of \$79,614 net of accumulated depreciation of \$7,962 used in governmental activities are not financial resources and therefore are not reported in the fund. 71,652

Total Net Assets - Governmental Activities \$ 1,431,165

The accompanying notes are an integral part of this financial statement

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State capital outlay funding	\$ -	\$ 651,691	\$ 651,691
State passed through local	6,334,996	-	6,334,996
Federal lunch program	-	171,764	171,764
Student lunch fees	-	95,468	95,468
Charges for services	395,718	-	395,718
Other Revenue	68,353	-	68,353
Total Revenues	6,799,067	918,923	7,717,990
Expenditures:			
Current			
Instruction	3,202,065	-	3,202,065
Instructional staff training services	12,561	-	12,561
Board	17,335	-	17,335
School administration	1,067,609	-	1,067,609
Fiscal services	150,400	-	150,400
Food services	-	261,763	261,763
Central services	181,243	-	181,243
Maintenance of plant	109,035	-	109,035
Operation of Plant	779,596	651,691	1,431,287
Community services	229,213	-	229,213
Capital outlay:			
Other capital outlay	687,248	-	687,248
Debt Service	3,801	-	3,801
Total Expenditures	6,440,106	913,454	7,353,560
Excess of Revenues Over Expenditures	358,961	5,469	364,430
Other financing sources			
Transfers in and (out)	5,469	(5,469)	-
Net change in fund balance	364,430	-	364,430
Fund Balance at beginning of year	217,854	-	217,854
Fund Balance at end of year	\$ 582,284	\$ -	\$ 582,284

The accompanying notes are an integral part of this financial statement

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2010

Change in Fund Balance - Governmental Funds \$ 364,430

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

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 \$3,801 exceeded proceeds of \$0. 3,801

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and intangible costs of \$687,248 differed from depreciation and amortization expense of \$328,522. 358,726

Change in Net Assets of Governmental Activities \$ 726,957

The accompanying notes are an integral part of this financial statement

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc.)
Statement of Net Assets - Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>
<u>Assets</u>	
Cash	<u>97,821</u>
Total Assets	<u>\$ 97,821</u>
<u>Liabilities</u>	
Due to students and clubs	<u>97,821</u>
Total Liabilities	\$ 97,821
<u>Net assets</u>	<u>\$ -</u>

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

Note 1 – Organization and Operations

Pinecrest Academy (South Campus) (the "School"), is a charter school under Pinecrest Academy, Inc., a not-for-profit corporation organized in the State of Florida. The governing body of the School is the board of directors of Pinecrest Academy, Inc., which also governs other various charter schools. The School operates under a charter granted by the sponsoring district, the District School Board of Miami-Dade County (the "District"). The current charter expires on June 30, 2016 and is renewable for an additional 15 years by a mutual written agreement between the School and the District. During the term of the charter, the District may terminate the charter if good cause is shown. The School is considered a component unit of such District. The School's location is in Miami, Florida for children from kindergarten through fifth grades and is funded by the District.

These financial statements are for the year ended June 30, 2010, when a total of approximately 1001 students were enrolled for the school year at the School's Main and North campuses.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audits for States and Local Governments and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information for the School as a whole. Both statements report only governmental activities as the School does not engage in any business type activities.

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.

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds, namely, the general and special revenue funds are reported as separate columns in the fund financial statements:

General Fund - is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

Special Revenue Fund - accounts for specific revenue, such as federal grants and capital outlay funding that are legally restricted to expenditures for particular purposes.

Fiduciary Fund – Schools internal funds accounts for resources of the schools' Internal Fund which is used to administer monies collected at the schools in connection with school, student activities, class, and club activities.

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) 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 GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from non-exchange transactions are reported according to 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.

Note 2 -- Summary of Significant Accounting Policies (continued)

The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Cash

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less.

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net assets in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Improvements	10 - 20 Years
Furniture and Equipment	5 Years
Capital Lease	5 Years
Textbooks	3 Years

Revenue Sources

Revenues for operations will be received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program.

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

Compensated Absences

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

Government Accounting Standards Board (GASB) Statement 16, Accounting for Compensated Absences, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for sick days available to be used in future benefits years.

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

Income Taxes

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

Pinecrest Academy (South Campus)
 (A charter school under Pinecrest Academy, Inc.)
 Notes to Financial Statements
 June 30, 2010

Note 2 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In accordance with GASB No. 56, the School has evaluated subsequent events and transactions for potential recognition or disclosure through August 30, 2010, which is the date the financial statements were available to be issued.

Note 3 –Capital Assets

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

	<u>Balance</u> 07/01/09	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 06/30/10
Capital Assets				
Improvements	\$ 68,788	\$ 149,890	\$ -	\$ 218,678
Furniture, equipment and textbooks	752,328	537,358	-	1,289,686
Total Capital Assets	<u>821,116</u>	<u>687,248</u>	-	<u>1,508,364</u>
Less Accumulated Depreciation				
Improvements	(5,731)	(13,434)	-	(19,165)
Furniture, equipment and textbooks	<u>(400,927)</u>	<u>(311,043)</u>	-	<u>(711,970)</u>
Total Accumulated Depreciation	<u>(406,658)</u>	<u>(324,477)</u>	-	<u>(731,135)</u>
Capital Assets, net	<u>\$ 414,458</u>	<u>\$ 362,771</u>	<u>\$ -</u>	<u>\$ 777,229</u>

Depreciation expense for the year ended June 30, 2010 was \$324,477 and is allocated in the Statement of Activities to instruction, facilities acquisition and plant maintenance and operation expenses.

Note 4 – Intangible Asset

During 2009, \$79,614 of legal fees was capitalized in connection with services provided to prepare Pinecrest Academy Charter (South Campus) new facility for use. The \$79,614 fee is being amortized over the life of the facility lease using the straight-line method for the term of twenty years. For the year ended June 30, 2010, the School recorded \$3,981 in amortization expense relating to the asset and expects to recognize \$3,981 in amortization expense for each of the next five fiscal years.

Note 5 – Management Agreement

Academica Dade, LLC, a professional charter school management company, provides management and administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting. The agreement between the School and the management company calls for a fee of \$450 per full time equivalent (FTE) student per year. The agreement is for a period of five years, through June 30, 2011, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2010, the School incurred approximately \$450,000, in management fees, of which approximately \$2,000 were net payable at year end.

Academica Dade, LLC is located at 6361 Sunset Drive, Miami, Florida 33143 and its officers are:

- Fernando Zulueta, President
- Magdalena Fresen, Vice President and Treasurer
- Ignacio Zulueta, Vice President
- Collette Papa, Secretary

Note 6 – Transactions with Other Schools and Other Revenue

During the prior year, the School shared its facility with Pinecrest Academy Charter Middle School's South Campus (other charter school under Pinecrest Academy, Inc.). This school moved to a new facility during the year and as a result, the School purchased certain capital assets from such school totaling \$80,275. In addition, it reimbursed such school for certain rent costs of approximately \$15,400.

The School operated an after care and Pre-K program. Revenues from these programs were recorded as charges for services. Total revenue from these programs for 2010 was approximately \$353,000. The School charged a usage fee to these two programs of \$42,000 for the year. This fee is recorded a charge for services under the operation of plant function.

Note 6 – Transactions with Other Schools and Other Revenue (continued)

In addition the School operates a lunch program. Total revenue from the lunch program for 2010 was approximately \$267,000.

Finally, for the subsequent school year (2010-11), the School's North Campus (Pinecrest Academy Charter School North Campus) obtained a separate charter agreement from the Miami-Dade District School Board and will continue to operate as a separate school and component unit of the District. Due to this change, the North Campus' internal fund and after care program accounts will be transferred to the new charter school effective July 1, 2010.

Note 7 – Deposits Policy and Credit Risk

It is the School's policy to maintain its cash and cash equivalents in major banks and in high grade investments. As of June 30, 2010, the carrying amount of the School's deposits was \$963,270 and the respective bank balances totaled \$1,244,048. Out of the total bank balances, \$880,000 was fully collateralized by U.S. Government obligations under a repurchase agreement with Regions Bank.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Pinecrest Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Pinecrest Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2010, bank balances in potential excess of FDIC coverage totaled \$364,048.

Note 8 – Commitments and Contingencies

The School entered into a lease and security agreement with Kendall Greens, LLC for its 52,396 square feet main campus facility including all ancillary facilities, outdoor areas and other improvements. Presently, members of the landlord are also stockholders of the entity which is the sole owner of Academica Dade, LLC, the School's management company (See note 4). Initial fixed annual payments under this agreement (based on \$13.78 per square foot) are approximately \$721,000 adjusted annually based on the Consumer Price Index (CPI) plus additional property expenses including repairs, maintenance and insurance. The agreement continues through July 2026 with an option to renew for an additional five-year term. Under the agreement, the School must meet certain covenants and requirements, including a "Lease Payment Coverage Ratio" of not less than 1.10 to 1.00. In addition, the School is required under the terms of the lease agreements to maintain a reserve for property expenses such as repairs, maintenance, taxes and insurance equal to 5% of their gross revenues for the fiscal year.

Note 8 – Commitments and Contingencies (continued)

As of June 30, 2010, the required reserve was \$295,045, and reflected as restricted on statement of net assets. Finally, under this agreement the School has granted a first lien on its pledged revenues, which include all revenues collected by the school from the Florida Department of Education, the District, and all other sources.

During 2010, the School entered into an educational facilities license agreement for its new North Campus with the Archdiocese of Miami. Initial annual payments under this agreement are approximately \$198,000 plus an additional \$700 per student per annum for every student above 250 that is currently enrolled, adjusted annually based on the Consumer Price Index (CPI). The School is also responsible for property expenses including repairs, maintenance and insurance. The agreement continues through August 15, 2015 with an automatic additional two-year term.

For 2010, rent expense for the North Campus totaled approximately \$160,000, of which approximately \$153,000 related to the facility lease. As indicated in Note 5, the School's North Campus subsequently became a separate charter school. Therefore, the commitment from such lease obligation is not included in these financial statements.

For 2010, rent expense for the Main Campus totaled approximately \$884,000, of which approximately \$803,000 related to the facility leases. Future minimum payments under the Kendall Greens lease are as follows:

<u>Year</u>	
2011	\$803,424
2012	\$803,424
2013	\$803,424
2014	\$803,424
2015	\$803,424
2016-2020	\$4,017,121 (Total for five-year period)
2021-2025	\$4,017,121 (Total for five-year period)
2026	\$803,424

The School received substantially all of its revenues from Federal and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies.

Note 9 – Risk Management

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

Note 10 – Defined Contribution Retirement Plan

The School's personnel, who are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School provides a match of 50% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$20,310 for the year ended June 30, 2010. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by MassMutual Financial Group.

REQUIRED SUPPLEMENTARY INFORMATION

Pinecrest Academy (South Campus)
(A charter school under Pinecrest Academy, Inc)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2010

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 6,250,000	\$ 6,300,000	\$ 6,334,996
Charges for services	350,000	375,000	395,718
Interest and other revenues	45,000	65,000	68,353
Total Revenues	6,645,000	6,740,000	6,799,067
EXPENDITURES			
Current:			
Instruction	3,200,000	3,210,000	3,202,065
Instructional Staff			
Training Services	15,000	15,000	12,561
Board	20,000	20,000	17,335
School Administration	1,050,000	1,100,000	1,067,609
Fiscal Services	135,000	165,000	150,400
Food Services	-	-	-
Central Services	180,000	185,000	181,243
Operation of Plant	750,000	800,000	779,596
Maintenance of Plant	115,000	115,000	109,035
Community services	245,000	245,000	229,213
Total Current Expenditures	5,710,000	5,855,000	5,749,057
Excess of Revenues			
Over Current Expenditures	935,000	885,000	1,050,010
Capital Outlay:			
Other Capital Outlay and intangible costs	700,000	700,000	687,248
Debt Service	4,000	4,000	3,801
Total Capital Outlay and Debt Service	704,000	704,000	691,049
Total Expenditures	6,414,000	6,559,000	6,440,106
Excess of Revenues Over Expenditures	231,000	181,000	358,961
Other Financing Sources			
Transfers in	-	-	5,469
Fund Balance at beginning of year	217,854	217,854	217,854
Fund Balance at end of year	\$ 448,854	\$ 398,854	\$ 582,284

Pinecrest Academy (South Campus)
 (A charter school under Pinecrest Academy, Inc)

Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the year ended June 30, 2010

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	\$ 600,000	\$ 655,000	\$ 651,691
School lunch program	150,000	172,000	171,764
Student lunch fees	50,000	100,000	95,468
Total Revenues	<u>800,000</u>	<u>927,000</u>	<u>918,923</u>
EXPENDITURES			
Current:			
Instruction	-	-	-
Fiscal Services	-	-	-
Food Services	200,000	272,000	261,763
Central Services	-	-	-
Pupil Transportation	-	-	-
Operation of Plant	600,000	655,000	651,691
Total Current Expenditures	<u>800,000</u>	<u>927,000</u>	<u>913,454</u>
Excess of Revenues Over Current Expenditures	-	-	5,469
Capital Outlay:			
Other Capital Outlay	-	-	-
Total Capital Outlay	-	-	-
Total Expenditures	<u>800,000</u>	<u>927,000</u>	<u>913,454</u>
Excess of Revenues Over Expenditures	-	-	5,469
Other financing sources:			
Transfers out	-	-	(5,469)
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Board of Directors of
Pinecrest Academy (South Campus)
Miami, Florida

We have audited the financial statements of Pinecrest Academy (South Campus) (the "School") as of, and for the year ended June 30, 2010, and have issued our report thereon dated August 30, 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

HUB Gravier, CPA

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2010

MANAGEMENT LETTER

Board of Directors of
Pinecrest Academy (South Campus)
Miami, Florida

We have audited the accompanying basic financial statements of Pinecrest Academy (South Campus) as of and for the year ended June 30, 2010 and have issued our report thereon dated August 30, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosure in those reports, which are dated August 30, 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 govern the conduct of charter school audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report or schedule:

1. Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

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

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

Observation 2010-01

We noted errors in the calculation of depreciation expense on capital assets purchased during the current year. The errors resulted from utilizing a depreciation report that was run on a basis that used different useful live than the useful live assigned to the assets.

Recommendation

Management should ensure that the correct report is used to record future period depreciation expense.

Observation 2010-02 (Main Campus)

We noted that the supporting documentation such as re-cap sheets and deposit summary forms could not be located for three out of ten deposits selected for testing.

Recommendation

We recommend that a systematic manner of filing documents such as by collection date be implemented and adhered to.

Observation 2010-03 (North Campus)

We noted that re-cap sheets were not being consistently used to account for the daily cash and check collections. In addition, we noted that four of ten disbursements selected for testing did not have the supporting check requisition form or purchase orders to evidence proper approval.

Recommendation

To prevent potential misappropriation of assets, we recommend that all collections be summarized on a re-cap sheet and signed by the personnel who are collecting the funds. Additionally, a second person should review and sign the re-cap sheet once the funds are being prepared for deposit. Also, although the Principal approves all invoices prior to payment, we recommend that an initial review and approval of all purchases by an individual other than the authorized account signer be documented prior to placing the order with the vendor.

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

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

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

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

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

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

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

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

7. Pursuant to Sections 10.854(1)(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 the financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

We have applied such procedures and no deteriorating financial condition has been noted.

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2010

Pinecrest Academy (South Campus)

August 31, 2010

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

RE: MANAGEMENT'S RESPONSES TO AUDITOR'S RECOMMENDATION

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

2010-01 Recommendation --

Management should ensure that the correct report is used to record future period depreciation expense.

Management Response -

Management will follow the auditor's recommendation and ensure that the correct report is used to record future period depreciation expense.

2010-02 Recommendation (Main Campus) --

We recommend that a systematic manner of filing documents such as by collection date be implemented and adhered to.

Management Response -

Management will follow the auditor's recommendation.

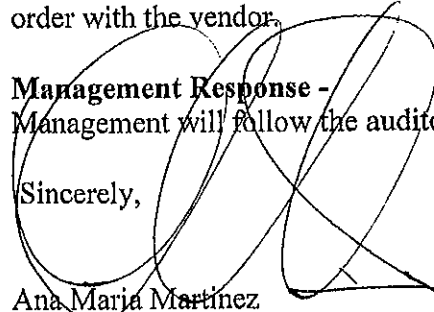
2010-03 Recommendation (North Campus) --

To prevent potential misappropriation of assets, we recommend that all collections be summarized on a re-cap sheet and signed by the personnel who are collecting the funds. Additionally, a second person should review and sign the re-cap sheet once the funds are being prepared for deposit. Also, although the Principal approves all invoices prior to payment, we recommend that an initial review and approval of all purchases by an individual other than the authorized account signer be documented prior to placing the order with the vendor.

Management Response -

Management will follow the auditor's recommendation.

Sincerely,


Ana Maria Martinez
Authorized Signor for Pinecrest Academy, Inc.