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Pinecrest Preparatory Academy
Charter Middle School
(A charter school under Pinecrest Academy, Inc.)
Miami, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2010

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Pinecrest Preparatory Academy Charter Middle School
14901 SW 42 St.
Miami, FL 33175

2009-2010

BOARD OF DIRECTORS

Judith Marty, Chair and President
Shannie Sadesky
Isabel Rodriguez
Erin Demirjian
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SCHOOL ADMINISTRATION

Betty Nunez, Principal and Vice President

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Susie Dopico, Vice President
Carmen Cangemi, Vice President

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Pinecrest Preparatory Academy Charter Middle School (the "School"), a charter school under Pinecrest Academy, Inc., a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 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 Preparatory Academy Charter Middle School 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 Preparatory Academy Charter Middle School, 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 the Governmental Accounting Standards Board. 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 Grover, CP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2010

Management's Discussion and Analysis
Pinecrest Preparatory Academy
Charter Middle School
(A Charter School under Pinecrest Academy, Inc.)
June 30, 2010

The corporate officers of Pinecrest Preparatory Academy Charter Middle School (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2010.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2010 by \$1,665,330 (net assets).
2. At year-end, the School had current assets on hand of \$580,610.
3. The net assets of the School increased by \$677,222 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 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.

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

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

REVENUES	<u>2010</u>	<u>2009</u>
Program Revenues		
Capital Outlay Funding	\$ 398,485	\$ 259,758
Lunch Program	146,970	-
Charges for Services	117,880	-
General Revenues		
FTE nonspecific revenues	3,769,166	2,473,550
Other Revenues	51,855	560
Total Revenues	<u>\$ 4,484,356</u>	<u>\$ 2,733,868</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 1,597,492	\$ 1,277,290
Instructional Media Services	-	299
Instructional Staff Training Services	3,648	1,076
Board	36,855	22,219
School Administration	860,201	456,056
Facilities Acquisition	159,318	549
Fiscal Services	96,688	62,850
Food Services	206,260	298
Central Services	106,708	63,791
Operation of Plant	635,715	651,479
Maintenance of Plant	39,609	45,347
Community Services	64,640	-
Total Expenses	<u>\$ 3,807,134</u>	<u>\$ 2,581,254</u>
Increase in Net Assets	677,222	152,614
Net Assets at Beginning of Year	988,108	835,494
Net Assets at End of Year	<u>\$ 1,665,330</u>	<u>\$ 988,108</u>

The School's revenue and expenses increased by \$1,750,488 and \$1,225,880, respectively, in the current year. The increase in overall revenues is a result of a large increase in student enrollment of approximately 400 students; however expenses did not increase as much do to reduced rent expense for the new facility. The School had an increase in its net assets of \$677,222 for the year.

School Location and Lease of Facility

The School leases facilities located at 14901 S.W. 42nd Street, Miami, Florida 33175.

Capital Improvement Requirements

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

Accomplishments

In 2010, Pinecrest Preparatory Academy Charter Middle School opened its doors to over 500 new students in a brand new, state-of-the-art facility.

Pinecrest provides its students with a rigorous curriculum, as well as an extra-curricular program of activities, including team sports and clubs. Pinecrest students also participated in various community service projects, fundraisers, and special event, including the Future Educators of America - Helping Hands in Haiti, Toys for Tots, Curriculum Fair, Winter Dance, Croc Night - Ice Skating, Principal's Honor Roll Breakfast, FCAT Pep Rally, American Red Cross, and Walk-a-thon for Reading.

Pinecrest Preparatory Academy Charter Middle School is accredited by the Southern Association of Colleges and Schools (SACS).

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, *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 \$274,749.

Capital Assets

The School's investment in capital assets as of June 30, 2010 amounts to \$3,285,021 (net of accumulated depreciation). This investment in capital assets includes building and improvements and 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 funding	\$ 395,000	\$ 399,000	\$ 398,485
Lunch Program	150,000	147,000	146,970
General Revenues			
FTE Revenues	3,730,000	3,750,000	3,769,166
Interest and other revenue	200,000	250,000	250,010
Total Revenues	<u>\$ 4,475,000</u>	<u>\$ 4,546,000</u>	<u>\$ 4,564,631</u>
CURRENT EXPENDITURES			
Component Unit Activities:			
Instruction	1,545,000	1,585,000	\$ 1,567,861
Instructional staff training services	3,600	5,000	3,648
Board	40,000	40,000	36,855
School administration	850,000	875,000	858,213
Fiscal services	100,000	100,000	96,688
Food services	210,000	207,000	205,478
Central services	110,000	110,000	106,708
Operation of plant	605,000	614,000	612,060
Maintenance of plant	40,000	40,000	35,329
Community services	70,000	70,000	64,640
Total Current Expenditures	<u>\$ 3,573,600</u>	<u>\$ 3,646,000</u>	<u>\$ 3,587,480</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 33143.

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

Statement of Net Assets
June 30, 2010

Assets

Current assets:

Cash	383,062
Prepaid expenses and other current assets	155,043
Due from other agencies	42,505
	<u>580,610</u>

Capital assets, depreciable	3,663,697
Less: accumulated depreciation	(378,676)
	<u>3,285,021</u>

Intangible costs	68,900
Less: accumulated amortization	(6,890)
	<u>62,010</u>

Due from other charter school	<u>364,500</u>
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Total Assets \$ 4,292,141

Liabilities and Net assets

Current liabilities:

Salaries and wages payable	164,776
Deposits	20,100
Accounts payable	120,985
	<u>305,861</u>

Leasehold improvements payable	2,320,950
Total Liabilities	<u>2,626,811</u>

Net assets:

Invested in capital assets , net of related debt and due from other charter school	1,390,581
Unrestricted	274,749
Total Net Assets	<u>1,665,330</u>

Total Liabilities and Net Assets \$ 4,292,141

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

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

Statement of Activities
 For the year ended June 30, 2010

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					-
Instruction	\$ 1,597,492	\$ -	\$ -	\$ -	\$ (1,597,492)
Instructional staff training	3,648	-	-	-	(3,648)
Board	36,855	-	-	-	(36,855)
School administration	860,201	-	-	-	(860,201)
Facilities acquisition	159,318	-	-	-	(159,318)
Fiscal services	96,688	-	-	-	(96,688)
Food services	206,260	55,282	91,688	-	(59,290)
Central services	106,708	-	-	-	(106,708)
Operation of plant	635,715	-	-	398,485	(237,230)
Maintenance of plant	39,609	-	-	-	(39,609)
Community Services	64,640	117,880			53,240
Total governmental activities	<u>3,807,134</u>	<u>173,162</u>	<u>91,688</u>	<u>398,485</u>	<u>(3,143,799)</u>
					FTE nonspecific revenues 3,769,166
					Interest and other revenue 51,855
					<u>677,222</u>
					Change in net assets
					Net assets, beginning 988,108
					<u>Net assets, ending \$ 1,665,330</u>

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

Pinecrest Preparatory Academy Charter Middle School
(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	\$ 383,062	\$ -	\$ 383,062
Due from other agencies	-	42,505	42,505
Prepaid expenses and other assets	155,043	-	155,043
Due from funds	42,505	-	42,505
Total Assets	<u>\$ 580,610</u>	<u>\$ 42,505</u>	<u>\$ 623,115</u>
<u>Liabilities</u>			
Salaries and wages payable	\$ 164,776	\$ -	\$ 164,776
Due to funds	-	42,505	42,505
Deposits	20,100	-	20,100
Accounts payable	120,985	-	120,985
Total Liabilities	<u>305,861</u>	<u>42,505</u>	<u>348,366</u>
<u>Fund balance</u>			
Unreserved	274,749	-	274,749
	<u>274,749</u>	<u>-</u>	<u>274,749</u>
Total Liabilities and Fund Balance	<u>\$ 580,610</u>	<u>\$ 42,505</u>	<u>\$ 623,115</u>

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

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

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

Total Fund Balance - Governmental Funds \$ 274,749

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

Capital assets of \$3,663,697 net of accumulated depreciation of \$378,676 used in governmental activities are not financial resources and therefore are not reported in the fund. 3,285,021

Intangible costs of \$68,900 net of accumulated amortization of \$6,890 used in governmental activities are not financial resources and therefore are not reported in the fund. 62,010

Long Term liabilities of \$2,320,950 were not due and payable in the current period and, therefore, are not reported in the funds. (2,320,950)

Long-term receivable from other charter school used in governmental activities are not financial resources and therefore are not reported in the fund. 364,500

Total Net Assets - Governmental Activities \$ 1,665,330

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

Pinecrest Preparatory Academy Charter Middle School
(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	\$ -	\$ 398,485	\$ 398,485
State passed through local	3,769,166	-	3,769,166
Federal lunch program	-	91,688	91,688
Student lunch fees	-	55,282	55,282
Interest and other revenue	250,010	-	250,010
Total Revenues	4,019,176	545,455	4,564,631
Expenditures:			
Current			
Instruction	1,567,861	-	1,567,861
Instructional staff training services	3,648	-	3,648
Board	36,855	-	36,855
School administration	858,213	-	858,213
Fiscal services	96,688	-	96,688
Food services	58,508	146,970	205,478
Central services	106,708	-	106,708
Operation of plant	213,575	398,485	612,060
Maintenance of plant	35,329	-	35,329
Community Services	64,640	-	64,640
Capital Outlay:			
Other capital outlay and intangible costs	3,492,651	-	3,492,651
Total Expenditures	6,534,676	545,455	7,080,131
Excess (deficit) of revenues over expenditures	(2,515,500)	-	(2,515,500)
Other financing sources			
Financing of leasehold improvements	2,320,950	-	2,320,950
Other financing uses:			
Long-term advance to other school	(50,465)	-	(50,465)
Net change in fund balance	(245,015)	-	(245,015)
Fund Balance at beginning of year	519,764	-	519,764
Fund Balance at end of year	<u>\$ 274,749</u>	<u>\$ -</u>	<u>\$ 274,749</u>

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

Pinecrest Preparatory Academy Charter Middle School
 (A charter school under Pinecrest Academy, Inc)
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
 of Governmental Funds to the Statement of Activities
 For the year ended June 30, 2010

Net Change in Fund Balance - Governmental Funds \$ (245,015)

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

The proceeds from disposal of fixed assets provide current financial resources to governmental funds, but decreases long-term assets in the statement of net assets. (80,275)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$3,423,751 differed from depreciation expense of \$212,753. 3,210,987

Governmental funds report intangible costs as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as amortization expense. This is the amount by which intangible cost outlays of \$68,900 differed from amortization expense of \$6,890 62,010

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 \$0 exceeded proceeds of \$2,320,950. (2,320,950)

Governmental funds report long-term advances as expenditures. However, in the statement of activities, those costs are shown as long-term assets. 50,465

Change in Net Assets of Governmental Activities \$ 677,222

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

Pinecrest Preparatory Academy Charter Middle School
(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>85,935</u>
Total Assets	<u>\$ 85,935</u>
<u>Liabilities</u>	
Due to students and clubs	<u>85,935</u>
Total Liabilities	<u>\$ 85,935</u>
<u>Net assets</u>	<u>\$ -</u>

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

Note 1 – Organization and Operations

Pinecrest Preparatory Academy Charter Middle School (the "School"), is a charter school under Pinecrest Academy, Inc., a not-for-profit corporation organized in the State of Florida. The governing body of the School is the board of directors of Pinecrest Academy, Inc., which also governs 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, 2013 and is renewable for an additional 15 years by mutual written agreement between the School and the District. During the term of the charter, the District may terminate the charter if good cause is shown. The School is considered a component unit of such District. The School is located in Miami, Florida for students from sixth through eighth grades and is funded by the District.

These financial statements are for the year ended June 30, 2010, when approximately 643 were enrolled for the school year.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants 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 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 grants that are legally restricted to expenditures for particular purposes.

Agency Fund - accounts for resources of the School's Internal Fund, which is used to administer monies collected at the schools in connection with school, student athletics, 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 or contradict 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. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

Note 2 – Summary of Significant Accounting Policies (continued)

Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Cash

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

Due from Other Governments or Agencies

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

Capital Assets

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

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

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a “benefit year”). In the event that available time is not used by the end of the benefit year, employees may “rollover” all unused days for use in future benefit years. There is an opportunity to “cash out” unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days. 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.

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.

Pinecrest Preparatory Academy Charter Middle School
 (A charter school under Pinecrest Academy, Inc.)
 Notes to Financial Statements
 June 30, 2010

Note 2 – Summary of Significant Accounting Policies (continued)

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:

	Balance 07/01/09	Additions	Reclass	Retirements	Balance 06/30/10
Capital Assets:					
Building and improvements	\$ 6,185	\$3,102,258	\$ (68,900)	\$ (2,580)	\$3,036,963
Furniture, equipment and textbooks	371,625	390,392	-	(135,283)	626,734
Total Capital Assets	<u>377,810</u>	<u>3,492,650</u>	<u>(68,900)</u>	<u>(137,863)</u>	<u>3,663,697</u>
Less Accumulated Depreciation:					
Building and improvements	(699)	(152,902)	6,890	-	(146,711)
Furniture, equipment and textbooks	<u>(222,802)</u>	<u>(66,751)</u>	<u>-</u>	<u>57,588</u>	<u>(231,965)</u>
Total Accumulated Depreciation	<u>(223,501)</u>	<u>(219,653)</u>	<u>6,890</u>	<u>57,588</u>	<u>(378,676)</u>
Capital Assets, net	<u>\$ 154,309</u>	<u>\$3,272,997</u>	<u>\$ (62,010)</u>	<u>\$ (80,275)</u>	<u>\$3,285,021</u>

Depreciation expense for the year ended June 30, 2010 was \$219,653 and is allocated in the Statement of Activities to instruction, facilities acquisition, and plant maintenance and operation.

Note 4 – Intangible Asset

During 2010, \$68,900 of legal fees was capitalized in connection with services provided to prepare the School's new facility for use. The \$68,900 fee is being amortized over the life of the facility lease using the straight-line method for the term of five years. For the year ended June 30, 2010, the School recorded \$6,890 in amortization expense relating to the asset.

Note 5 – Management Agreement

Academica Dade, LLC, a professional charter school management company, provides management and administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting. The agreement between the School and the management company calls for a fee of \$450 per full time equivalent (FTE) student per year. The agreement is for a period of five years, through June 30, 2014, 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 \$289,000 in management fees, of which approximately \$18,000 were net payable to the management company at the end of the year.

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

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

Note 6 – Transactions with Other Schools and Other Revenue

Through August 1, 2009, the School shared its main campus with Pinecrest Preparatory Academy and its south campus with Pinecrest Academy (South Campus) (other charter schools under Pinecrest Academy, Inc.). Effective that date, the School consolidated its previous two campuses into a new location (See Note 8). The School paid approximately \$22,000 for rent costs relating to the leases at those two locations.

The School currently shares its new campus with Pinecrest Preparatory Academy Charter High School (a charter school under Pinecrest Academy, Inc.). As a result, certain activities such as fundraising, internal account activities and lunch program are recorded in the books of the School and not in those of Pinecrest Preparatory Academy Charter High School. In addition, the School made non-interest bearing advances to such school for working capital purposes totaling \$364,500. Such advances mature on June 30, 2012 and are secured by such school's assets.

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

The School operated an after care and federal lunch program for both schools sharing the facility. Revenues from these programs were recorded as charges for services and grants. Total revenue from these programs for 2010 was approximately \$265,000.

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 \$468,997 and the respective bank balances totaled \$625,376. Out of the total bank balances, \$460,000 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 \$165,376.

Note 8 – Commitments, Contingencies and Leasehold Improvements Payable

As indicated in Note 6, the School moved to a new facility on August 1, 2009. The School currently shares its facility with Pinecrest Preparatory Academy Charter High School (a charter school under Pinecrest Academy, Inc.). The School entered into a new lease agreement with Meadow View Shopping Center, LLC for its 51,874 square feet facility, including sidewalks, driveways and parking areas. Initial fixed annual payments under this agreement (based on \$20.14 per square foot) are approximately \$1,044,742 adjusted annually based on the Consumer Price Index (CPI) plus additional common area costs including utilities, maintenance and insurance. The agreement continues through July 31, 2014 with four additional five-year term options to renew, provided that the School is not in default under the lease, that the School has been continuously open throughout the lease term, and that it provides written notice 90 days prior to the expiration date.

Lease payments are allocated among the two schools based on enrollment and usage of facility. The allocation used for 2010, was 92% for the School and 8% for Pinecrest Preparatory Academy Charter High School.

Note 8 – Commitments and Contingencies (continued)

During the initial term, the total amount of deposits paid of \$300,000 plus a portion of total rent equal to \$2.14 per square foot are to be applied to the tenant improvements. The School and the landlord are in the process of amending this allocation to apply \$8.00 towards the base rent and the remaining \$12.14 towards the tenant improvements. The total amount allocated to the tenant improvements through the term of the lease would be \$3,148,752. This amendment would not affect the total rent commitment of \$20.14 per square foot.

Based on the amendment to be finalized, the School has capitalized leasehold improvements totaling approximately \$3,100,000 and has recorded a related long term liability for non interest bearing leasehold improvements payable to be paid over the remaining life of the lease. As of June 30, 2010, the School had a leasehold improvements payable of \$2,320,950.

For 2010, rent expense totaled \$426,005 (based on the \$8.00 per square feet allocation) . The School had prepaid rent of approximately \$86,500 at the end of the year.

Future minimum payments, based on amendment to be finalized, for the full amount of the lease (to be shared with Pinecrest Preparatory Academy High School) are as follows:

Year	Rent	Tenant Improvements	Total
2011	\$ 414,992	\$ 629,750	\$ 1,044,742
2012	414,992	629,750	1,044,742
2013	414,992	629,750	1,044,742
2014	414,992	629,750	1,044,742
	<u>\$1,659,968</u>	<u>\$2,519,000</u>	<u>\$ 4,178,968</u>

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, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School provides a match of 50% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$7,158 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 Charter Middle School
 (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	\$ 3,730,000	\$ 3,750,000	\$ 3,769,166
Interest and other revenue	200,000	250,000	250,010
Total Revenues	<u>3,930,000</u>	<u>4,000,000</u>	<u>4,019,176</u>
EXPENDITURES			
Current:			
Instruction	1,545,000	1,585,000	1,567,861
Instructional Staff			
Training Services	3,600	5,000	3,648
Board	40,000	40,000	36,855
School Administration	850,000	875,000	858,213
Fiscal Services	100,000	100,000	96,688
Food Services	60,000	60,000	58,508
Central Services	110,000	110,000	106,708
Operation of Plant	210,000	215,000	213,575
Maintenance of Plant	40,000	40,000	35,329
Community Services	70,000	70,000	64,640
Total Current Expenditures	<u>3,028,600</u>	<u>3,100,000</u>	<u>3,042,025</u>
Excess of Revenues			
Over Current Expenditures	<u>901,400</u>	<u>900,000</u>	<u>977,151</u>
Capital Outlay:			
Other Capital Outlay	<u>3,490,000</u>	<u>3,500,000</u>	<u>3,492,651</u>
Total Capital Outlay	<u>3,490,000</u>	<u>3,500,000</u>	<u>3,492,651</u>
Total Expenditures	<u>6,518,600</u>	<u>6,600,000</u>	<u>6,534,676</u>
Excess (deficit) of Revenues			
Over Expenditures	(2,588,600)	(2,600,000)	(2,515,500)
Other financing sources			
Financing of leasehold improvements	2,300,000	2,315,000	2,320,950
Other financing uses:			
Long-term advance to other school	-	-	(50,465)
Fund Balance at beginning of year	<u>519,764</u>	<u>519,764</u>	<u>519,764</u>
Fund Balance at end of year	<u>\$ 231,164</u>	<u>\$ 234,764</u>	<u>\$ 274,749</u>

Pinecrest Academy Charter Middle School
 (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			
Capital outlay funding	\$ 395,000	\$ 399,000	\$ 398,485
Federal lunch program	100,000	91,000	91,688
Student lunch fees	50,000	56,000	55,282
Total Revenues	<u>\$ 545,000</u>	<u>\$ 546,000</u>	<u>\$ 545,455</u>
EXPENDITURES			
Current:			
Instruction	-	-	-
Food Services	150,000	147,000	146,970
Operation of Plant	395,000	399,000	398,485
Total Current Expenditures	<u>545,000</u>	<u>546,000</u>	<u>545,455</u>
Excess of Revenues Over Current Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Capital Outlay:			
Other Capital Outlay	-	-	-
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>545,000</u>	<u>546,000</u>	<u>545,455</u>
Excess of Revenues Over Expenditures	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

We have audited the financial statements of Pinecrest Preparatory Academy Charter Middle School (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.

HLB Graven, UP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2010

MANAGEMENT LETTER

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

We have audited the accompanying basic financial statements of Pinecrest Preparatory Academy Charter Middle 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; 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

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

It was determined that the depreciation expense was not materially misstated and therefore, no audit adjustment was proposed. However, management should ensure that the correct report is used to record future period depreciation expense.

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.

HLB Grimes, CP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2010

Pinecrest Preparatory Academy Charter Middle School

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:

01 Recommendation -

It was determined that the depreciation expense was not materially misstated and therefore, no audit adjustment was proposed. However, 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.

Sincerely,



Ana Maria Martinez

Authorized Signor for Pinecrest Academy, Inc.