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Senior High

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

2009-2010

BOARD OF DIRECTORS

Judith Marty, Chair and President
Shannie Sadesky
Isabel Rodriguez
Erin Demirjian
Daniel Diaz

SCHOOL ADMINISTRATION

Betty Nunez, Principal

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Betty Nunez, Vice President
Susie Dopico, Vice President
Carmen Cangemi, Vice President



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Pinecrest Preparatory Academy Charter High 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 High 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 High 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 23 through 24, respectively, are not a required part of the basic financial statements but are supplemental information required by accounting principals 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 Grinn, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2010

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

The corporate officers of Pinecrest Preparatory Academy Charter High 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 \$263,483 (net assets).
2. At year-end, the School had current assets of \$67,780.
3. The net assets of the School increased by \$262,367 during the year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2010 are presented under GASB 34. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the School's assets and liabilities. The difference between the two is reported as *net assets*. Over time increases or decreases in net assets may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net assets changed during the fiscal year. All changes in net assets are reported 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 – 14 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 15 – 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Assets exceeded liabilities by \$263,483 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	\$ 55,677	\$ 4,814
Due from Other Schools	-	7,200
Due from Other Agencies	-	2,682
Prepaid Expenses	12,103	100,113
Capital Assets and Intangible Costs	823,468	200,342
Total Assets	<u>\$ 891,248</u>	<u>\$ 315,151</u>
Due to Other Schools	364,499	314,035
Accrued Liabilities and Payables	263,266	-
Total Liabilities	<u>\$ 627,765</u>	<u>\$ 314,035</u>
Invested in Capital Assets and Intangible Costs, net of related debt	260,751	200,342
Unrestricted	2,732	-
Total Net Assets	<u>\$ 263,483</u>	<u>\$ 1,116</u>

At the end of the fiscal year, the School is able to report continued positive balances in the categories of net assets with a net increase for the year

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

	2010	2009
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 298,981	\$ -
Capital Outlay Funding	6,583	8,047
General Revenues		
FTE nonspecific revenues	322,981	57,298
Other Revenues	90	19
Total Revenues	<u>\$ 628,635</u>	<u>\$ 65,364</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 180,164	\$ 11,949
Instructional Staff Training Services	1,260	-
Board	9,794	-
School Administration	72,530	13,633
Fiscal Services	8,300	1,425
Facilities Acquisition and construction	43,705	6,187
Food Services	4,443	-
Central Services	9,136	1,425
Operation of Plant	54,115	29,629
Maintenance of Plant	2,821	-
Community Services	-	-
Total Expenses	<u>366,268</u>	<u>64,248</u>
Increase in Net Assets	262,367	1,116
Net Assets at Beginning of Year	1,116	-
Net Assets at End of Year	<u>\$ 263,483</u>	<u>\$ 1,116</u>

The prior year was the school's first year of operations. The School's revenue and expenditures increased by \$563,271 and \$322,020, respectively, as a result of an increase in student enrollment, which significantly impacted FTE revenues. The School had an increase in its net assets of \$262,367 for the year.

Capital Improvement Requirements

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

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 \$2,732.

Capital Assets

The School's investment in capital assets as of June 30, 2010 amounts to \$762,474 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and equipment.

Accomplishments

In 2010, Pinecrest Academy High School moved to a brand new, state-of-the-art facility, and welcomed over 50 new students in 9th grade.

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

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			
Operating Grants and Contributions	\$ 225,000	\$ 300,000	\$ 298,981
Capital Outlay Funding	38,250	6,500	6,583
General Revenues			
FTE Nonspecific Revenues	285,000	322,000	322,981
Other Revenues	-	-	90
Total Revenues	\$ 548,250	\$ 628,500	\$ 628,635
CURRENT EXPENDITURES			
Component Unit Activities:			
Instruction	142,000	152,000	151,424
Instructional Staff Training Services	1,000	1,300	1,260
Board	9,000	10,000	9,794
School Administration	72,000	72,500	72,465
Fiscal Services	8,500	8,500	8,300
Food Services	4,500	4,500	4,443
Central Services	9,000	9,500	9,136
Operation of Plant	81,250	51,500	50,847
Maintenance of Plant	3,000	3,000	2,821
Community Services	-	-	-
Total Current Expenditures	\$ 330,250	\$ 312,800	\$ 310,490

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 High School
(A charter school under Pinecrest Academy, Inc.)

Statement of Net Assets
June 30, 2010

Assets

Current assets:

Cash	\$	55,677
Prepaid expenses		12,103
		<u>67,780</u>

Capital assets, depreciable		820,789
Less: accumulated depreciation		(58,315)
		<u>762,474</u>

Intangible costs		63,594
Less: accumulated amortization		(2,600)
		<u>60,994</u>

Total Assets \$ 891,248

Liabilities and Net assets

Current liabilities:

Salaries and wages payable	\$	11,779
Accounts payable		53,269
		<u>65,048</u>

Leasehold improvements payable		198,218
Due to other schools		364,499
Total Liabilities		<u>627,765</u>

Net assets:

Invested in capital assets, net of related debt		260,751
Unrestricted		2,732
Total Net Assets		<u>263,483</u>

Total Liabilities and Net Assets \$ 891,248

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

Pinecrest Preparatory Academy Charter High 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	\$ 180,164	\$ -	\$ 298,981	\$ -	\$ 118,817
Instructional staff training	1,260	-	-	-	(1,260)
Board	9,794	-	-	-	(9,794)
School administration	72,530	-	-	-	(72,530)
Facilities acquisition	43,705	-	-	-	(43,705)
Fiscal services	8,300	-	-	-	(8,300)
Food services	4,443	-	-	-	(4,443)
Central services	9,136	-	-	-	(9,136)
Operation of plant	34,115	-	-	6,583	(27,532)
Maintenance of plant	2,821	-	-	-	(2,821)
Total governmental activities	366,268		298,981	6,583	(60,704)
					FTE nonspecific revenues 322,981
					Fundraising and other revenue 90
					Change in net assets 262,367
					Net assets, beginning 1,116
					Net assets, ending \$ 263,483

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

Pinecrest Preparatory Academy Charter High 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	\$ 55,677	\$ -	\$ 55,677
Prepaid expenses	12,103	-	12,103
Total Assets	<u>\$ 67,780</u>	<u>\$ -</u>	<u>\$ 67,780</u>
<u>Liabilities</u>			
Salaries and wages payable	\$ 11,779	\$ -	\$ 11,779
Accounts payable	53,269	-	53,269
Total Liabilities	<u>65,048</u>	<u>-</u>	<u>65,048</u>
<u>Fund balance</u>			
Unreserved	2,732	-	2,732
	<u>2,732</u>	<u>-</u>	<u>2,732</u>
Total Liabilities and Fund Balance	<u>\$ 67,780</u>	<u>\$ -</u>	<u>\$ 67,780</u>

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

Pinecrest Preparatory Academy Charter High 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 \$ 2,732

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

Capital assets of \$820,789 net of accumulated depreciation of \$58,315 used in governmental activities are not financial resources and therefore are not reported in the fund. 762,474

Intangible costs of \$63,594 net of accumulated depreciation of \$2,600 used in governmental activities are not financial resources and therefore are not reported in the fund. 60,994

Long Term liabilities of \$538,652 were not due and payable in the current period and, therefore, are not reported in the funds. (562,717)

Total Net Assets - Governmental Activities \$ 263,483

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

Pinecrest Preparatory Academy Charter High 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	\$ -	\$ 6,583	\$ 6,583
State passed through local	322,981	298,981	621,962
Charges and other revenue	90	-	90
Total Revenues	323,071	305,564	628,635
Expenditures:			
Current			
Instruction	139,843	11,581	151,424
Board	9,794	-	9,794
Instructional staff training	1,260	-	1,260
School administration	72,465	-	72,465
Fiscal services	8,300	-	8,300
Food services	4,443	-	4,443
Central services	9,136	-	9,136
Operation of plant	44,264	6,583	50,847
Maintenance of plant	2,821	-	2,821
Capital Outlay:			
Other capital outlay	391,504	287,400	678,904
Start up costs	-	-	-
Debt Service:			
Redemption of Principal	-	-	-
Total Expenditures	683,830	305,564	989,394
Excess (deficit) of revenues over expenditures	(360,759)	-	(360,759)
Other financing sources			
Financing of leasehold improvements	198,218	-	198,218
Proceeds from long-term debt	50,464	-	50,464
Net change in fund balance	(112,077)	-	(112,077)
Fund Balance at beginning of year	114,809	-	114,809
Fund Balance at end of year	\$ 2,732	\$ -	\$ 2,732

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

Pinecrest Preparatory Academy Charter High 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 \$ (112,077)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$672,913, exceed depreciation expense of \$55,178. 617,734

Governmental funds report outlays for long-term assets 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 costs incurred in the year of \$5,991, exceed amortization expense of \$599. 5,392

The proceeds from long-term debt issuance provide current financial resources to government 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 \$248,682. (248,682)

Change in Net Assets of Governmental Activities \$ 262,367

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

Note 1 – Organization and Operations

Pinecrest Preparatory Academy Charter High 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 various other 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, 2018 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 is located in Miami, Florida for students from ninth through fifth grade and is funded by the District.

These financial statements are for the year ended June 30, 2010, when approximately 54 students 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.

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.

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. 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.

Note 2 – Summary of Significant Accounting Policies (continued)

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 and equipment	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 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 matters 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 Preparatory Academy Charter High School
(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:

	Balance 07/1/09	Additions	Reclassification	Balance 06/30/10
Capital Assets:				
Building and Improvements	\$ 147,876	\$ 352,574	\$ (5,991)	\$ 494,459
Furniture, Equipment and textbooks	-	326,330	-	326,330
Total Capital Assets	<u>147,876</u>	<u>678,904</u>	<u>(5,991)</u>	<u>820,789</u>
Less Accumulated Depreciation:				
Building and Improvements	(3,136)	(23,129)	599	(25,666)
Furniture, Equipment and textbooks	-	(32,649)	-	(32,649)
Total Accumulated Depreciation	<u>(3,136)</u>	<u>(55,778)</u>	<u>599</u>	<u>(58,315)</u>
Capital Assets, net	<u>\$ 144,740</u>	<u>\$ 623,126</u>	<u>\$ (5,392)</u>	<u>\$ 762,474</u>

Depreciation expense for the year ended June 30, 2010 was \$55,778 and is allocated in the Statement of Activities to instruction, school administration facilities acquisition and operation of plant.

Note 4 – Intangible Asset

The school capitalized a total of \$63,594 of legal fees in connection with services provided to prepare its new facility for use. This amount is being amortized using the straight-line method for the term of twenty years. For the year ended June 30, 2010, the School recorded \$599 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 year, 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 \$24,300 in management fees of which \$8,700 was payable at year end.

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

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

Note 6 – Transactions with Other Schools

The School currently shares its facility with Pinecrest Academy Charter Middle School (a charter school under Pinecrest Academy, Inc.). As result, certain facility costs are shared and allocated and certain activities such as fundraising, internal account activities and lunch program are recorded in the books of Pinecrest Academy Charter Middle School and not in those of the School.

The School has received long-term, non-interest bearing advances in the amount of \$364,499 from Pinecrest Academy Middle School for working capital purposes. The long-term liability matures on July 30, 2012 and is secured by the School's assets.

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 \$55,677 and the respective bank balances totaled \$52,404. Out of the total bank balances, \$40,000 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 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 \$12,404.

Note 8 – Commitments, Contingencies, and Leasehold Improvements Payable

The School currently shares its facility with Pinecrest Academy Charter Middle 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 foot 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 8% for the School and 92% for Pinecrest Academy Charter Middle School.

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.

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

Note 8 – Commitments, Contingencies, and Leasehold Improvements Payable (continued)

Based on the amendment to be finalized, the School has capitalized leasehold improvements totaling approximately \$330,000 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 \$198,218.

For 2010, rent expense totaled \$34,953, based on the \$8.00 per square feet allocation. The School had prepaid rent of approximately \$6,500 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 Academy Charter Middle 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.

REQUIRED SUPPLEMENTARY INFORMATION

Pinecrest Preparatory Academy Charter High 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	\$ 285,000	\$ 322,000	\$ 322,981
Interest and other revenues	-	-	90
Total Revenues	<u>285,000</u>	<u>322,000</u>	<u>323,071</u>
EXPENDITURES			
Current:			
Instruction	130,000	140,000	139,843
Instructional Staff Training	1,000	1,300	1,260
Board	9,000	10,000	9,794
School Administration	72,000	72,500	72,465
Fiscal Services	8,500	8,500	8,300
Food Services	4,500	4,500	4,443
Central Services	9,000	9,500	9,136
Operation of Plant	43,000	45,000	44,264
Maintenance of Plant	3,000	3,000	2,821
Total Current Expenditures	<u>280,000</u>	<u>294,300</u>	<u>292,326</u>
Excess of Revenues Over Current Expenditures	<u>5,000</u>	<u>27,700</u>	<u>30,745</u>
Debt Service:			
Redemption of Principal	-	-	-
Capital Outlay:			
Other Capital Outlay	390,000	390,000	391,504
Total Capital Outlay and Debt Service Expenditures	<u>390,000</u>	<u>390,000</u>	<u>391,504</u>
Total Expenditures	<u>670,000</u>	<u>684,300</u>	<u>683,830</u>
Excess of Revenues Over Expenditures	(385,000)	(362,300)	(360,759)
Other financing sources			
Financing of leasehold improvements	225,000	200,000	198,218
Proceeds from long-term debt	50,000	50,000	50,464
Fund Balance at beginning of year	<u>114,809</u>	<u>114,809</u>	<u>114,809</u>
Fund Balance at end of year	<u>\$ 4,809</u>	<u>\$ 2,509</u>	<u>\$ 2,732</u>

Pinecrest Preparatory Academy Charter High 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			
State capital outlay funding	\$ 38,250	\$ 6,500	\$ 6,583
State passed through local	225,000	300,000	298,981
Total Revenues	<u>263,250</u>	<u>306,500</u>	<u>305,564</u>
EXPENDITURES			
Current:			
Instruction	12,000	12,000	11,581
Operation of Plant	38,250	6,500	6,583
Maintenance of Plant	-	-	-
Total Current Expenditures	<u>50,250</u>	<u>18,500</u>	<u>18,164</u>
Excess of Revenues Over Current Expenditures	<u>213,000</u>	<u>288,000</u>	<u>287,400</u>
Debt Service:			
Redemption of Principal	-	-	-
Capital Outlay:			
Other Capital Outlay	213,000	288,000	287,400
Total Capital Outlay and Debt Service Expenditures	<u>213,000</u>	<u>288,000</u>	<u>287,400</u>
Total Expenditures	<u>263,250</u>	<u>306,500</u>	<u>305,564</u>
Excess of Revenues Over Expenditures	-	-	-
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 Preparatory Academy Charter High School
Miami, Florida

We have audited the financial statements of Pinecrest Preparatory Academy Charter High 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.

ALB Grovier, CPA

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2010

MANAGEMENT LETTER

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

We have audited the accompanying basic financial statements of Pinecrest Preparatory Academy Charter High 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 Grauer, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2010

Pinecrest Preparatory Academy Charter High 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:

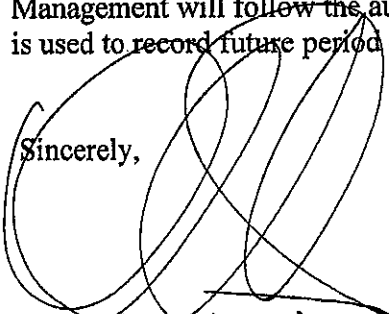
01 Recommendation –

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.