

**ARCHIMEDEAN ACADEMY, INC.**  
**MIAMI, FLORIDA**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2005**

## TABLE OF CONTENTS

General Information . . . . .	1
Independent Auditors' Report. . . . .	2-3
Management's Discussion and Analysis (Required Supplementary Information) . . . . .	4-8
<b>Basic Financial Statements:</b>	
<i>Government-wide Financial Statement:</i>	
Statement of Net Assets . . . . .	9
Statement of Activities and Change in Net Assets . . . . .	10
<i>Fund Financial Statements:</i>	
Balance Sheet . . . . .	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets. . . . .	12
Statement of Revenues, Expenditures and Changes in Fund Balance . . . . .	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities. . . . .	14
Notes to the Basic Financial Statements . . . . .	15-20
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual . . . . .	21
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Performed in Accordance with <i>Government Auditing Standards</i> . . . . .</b>	
<b>Management Letter . . . . .</b>	<b>22-23</b>
<b>Management's Response to Auditors' Findings. . . . .</b>	<b>24-25</b>
	<b>26</b>

**ARCHIMEDEAN ACADEMY, INC.**

12425 S.W. Sunset Drive  
Miami, Florida 33183  
(305) 279-6572

**2004-2005**

**BOARD OF DIRECTORS**

George Kafkoulis, Chairman, President  
Dr. Christodoulos Christodoulou, Director, Secretary, Treasurer  
Alecos Haralambides, Director, Vice President  
Nickolas Georgoulakis, Director  
Gus Andy, Director

**SCHOOL ADMINISTRATION**

Patricia Booth, Principal



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Archimedean Academy, Inc.  
Miami, Florida

PEDRO M. DE ARMAS, C.P.A.  
ALEJANDRO D. GRAVIER, C.P.A.  
LEONARDO GRAVIER, C.P.A.  
LEONARDO D. GRAVIER, C.P.A.  
OCTAVIO A. VERDEJA, C.P.A.  
OCTAVIO F. VERDEJA, C.P.A.

JOSE M. IGLESIAS, C.P.A.  
CARMEN LLANO-GOMEZ, C.P.A.  
REGINO RODRIGUEZ, C.P.A.

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Archimedean Academy, Inc., (the "School") a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2005, which collectively comprise the School's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior summarized comparative information has been derived from the School's 2004 financial statements and, in our report dated July 15, 2005, we expressed unqualified opinions on the respective financial statements of the governmental activities and the general fund.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Archimedean Academy, Inc., as of June 30, 2005 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 19, 2005, 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 (MD&A) on pages 4 through 8 and the Schedules of Revenues, Expenditures and Changes in Fund Balance—budget to actual on page 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 19, 2005

## **Management's Discussion and Analysis**

Archimedean Academy, Inc.

June 30, 2005

The corporate officers of the Archimedean Academy, Inc. (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2005.

### **Financial Highlights**

1. The assets of the School exceeded its liabilities at June 30, 2005 by \$37,271 (net assets).
2. At year-end, the School had current assets on hand of \$94,506.
3. The net assets of the School increased by \$30,744 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, 2005 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.

### *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 - 20 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The assets of the School exceeded its liabilities at June 30, 2005 by \$37,271. 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, 2005 and 2004 follows:

	2005	2004
Cash	\$ 36,359	\$ 19,821
Accounts Receivable	13,730	2,775
Due from Other Agencies	44,417	7,497
Prepaid Expenses	-	11,750
Deposits	21,201	21,201
Capital Assets	<u>225,756</u>	<u>97,164</u>
Total Assets	<u>\$ 341,463</u>	<u>\$ 160,208</u>
Accounts Payable and Accrued Liabilities	\$ 304,192	\$ 153,681
Total Liabilities	<u>\$ 304,192</u>	<u>\$ 153,681</u>
Invested in Capital Assets, net of related debt	\$ 216,905	\$ 97,164
Unrestricted	( 179,634)	( 90,637)
Total Net Assets	<u>\$ 32,271</u>	<u>\$ 6,527</u>

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2005 and 2004 follows:

	2005	2004
<b>REVENUES</b>		
Program Revenues		
Operating Grants and Contributions	\$ -	\$ 241,963
Capital Outlays and Contributions	120,727	66,753
General Revenues		
Government Grants Not Restricted to		
Specific Programs	1,594,686	748,892
Charges for Services	313,057	155,934
Other Revenue	<u>124,281</u>	<u>35,096</u>
Total Revenues	<u>\$2,152,751</u>	<u>\$1,248,638</u>
<b>EXPENSES</b>		
Component Unit Activities:		
Instruction	\$1,001,890	\$ 639,984
Pupil Personnel Services	300	252
Instructional Staff Training Services	11,023	10,160
Board	12,680	5,950
School Administration	343,856	220,340
Facilitation Acquisition and		
Construction	26,881	-
Fiscal Services	35,563	24,038
Food Services	111,917	40,765
Central Services	37,776	25,992
Pupil Transportation Services	2,400	6,850
Operation of Plant	357,427	235,587
Maintenance of Plant	11,045	5,112
Community Services	159,041	42,465
Interest	<u>10,208</u>	<u>-</u>
Total Expenses	<u>2,122,007</u>	<u>1,257,495</u>
Change in Net Assets	30,744	( 8,857)
Net Assets at Beginning of Year	<u>6,527</u>	<u>15,384</u>
Net Assets at End of Year	<u>\$ 37,271</u>	<u>\$ 6,527</u>

Archimedean Academy's revenue increased by \$904,113 in the current year primarily due to an increase in student enrollment. The School also had an increase of expenses for the year of \$864,512. In addition, the school increased its capital assets by \$128,592. The School had an increase in its net assets of \$30,744 for the year.

### **Lease of Facility**

The School is located at 12425 SW 72<sup>nd</sup> Street (Sunset Drive), Miami-Dade, Florida, 33183.



### **Capital Improvement Requirements**

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

### **Achievements**

Archimedean Academy, Inc. scored higher than 97% of all Schools in Florida for the grades 3<sup>rd</sup> & 4<sup>th</sup> in Mathematics, in 2005. The School is in the top 3% in Mathematics, top 15% in Reading and top 12% in writing in the State of Florida, and as far as the percentage of students, whose 4th grade writing is in the high levels 3<sup>rd</sup> to 6<sup>th</sup>, it is in the top 1% in the State and number 1 in Miami-Dade County. Together with two magnet schools Archimedean Academy, Inc. has the highest three combined scores in all Miami-Dade County in Mathematics in 2005 for grades 3<sup>rd</sup> – 4<sup>th</sup>. Archimedean Academy, Inc. received a very strong letter grade A and has met the Federal No Child Left behind (NCLB) benchmarks for two years in a row. Archimedean Academy, Inc. is a model of a new kind of school that offers a world class education to all students without selecting its students. It is a Conservatory of Mathematics & the Greek Language. Archimedean Academy, Inc. has appeared in an article in The Wall Street Journal & in Greek television stations. There is currently a waiting list of over 250 students and we are serving a diverse multilingual & multiethnic population of students.

### **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.

### **Capital Assets**

The School's investment in capital assets as of June 30, 2005 amounts to \$225,756 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment.

## General 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 general fund to demonstrate compliance with the School's budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Capital outlay funding	\$ 120,000	\$ 120,000	\$ 120,727
Local Sources	1,590,000	1,590,000	1,594,686
Charges for Services and Other revenue	<u>490,000</u>	<u>490,000</u>	<u>437,338</u>
Total Revenues	2,200,000	2,200,000	2,152,751
EXPENDITURES			
Salaries	1,022,000	1,022,000	1,020,354
Employee benefits	197,000	197,000	196,057
Purchased services	580,000	579,000	558,706
Materials, supplies and expenses	128,000	128,500	126,976
Other expenses	<u>270,000</u>	<u>269,525</u>	<u>190,594</u>
Total Expenditures	<u>2,197,000</u>	<u>2,196,025</u>	<u>2,092,687</u>
Excess (Deficiency) of Revenues over Expenditures before Capital Outlay and Financing Sources	3,000	3,975	60,064
OTHER FINANCING SOURCES	100,000	100,000	15,320
OTHER CAPITAL OUTLAY	<u>( 100,000)</u>	<u>( 100,000)</u>	<u>( 157,912)</u>
Net Change in Fund Balance	<u>\$ 3,000</u>	<u>\$ 3,975</u>	<u>\$ ( 82,528)</u>

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year. Variance in Capital Outlay and financing sources was a result of unforeseen Capital Improvements for the new facility.

## 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 Corporation, 6255 Bird Road, Miami, Florida, 33155.

**ARCHIMEDEAN ACADEMY, INC.****A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY****STATEMENT OF NET ASSETS****JUNE 30, 2005**

	2005	2004 (Summarized Comparative Information)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 36,359	\$ 19,821
Accounts receivable, no allowance necessary	13,730	2,775
Prepaid expenses	-	11,750
Due from other agencies	44,417	7,497
	<u>94,506</u>	<u>41,843</u>
<b>CAPITAL ASSETS</b>		
Improvements other than buildings	46,276	15,800
Less accumulated depreciation	(1,790)	(1,220)
Furniture, equipment and textbooks	205,148	87,712
Less accumulated depreciation	(37,345)	(12,157)
Audiovisual materials	17,810	7,810
Less accumulated depreciation	(4,343)	(781)
	<u>225,756</u>	<u>97,164</u>
<b>DEPOSITS</b>	<u>21,201</u>	<u>21,201</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 341,463</u></u>	<u><u>\$ 160,208</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Salaries and wages payable	\$ 84,608	\$ 80,098
Accounts payable	184,264	73,583
Line of credit and note payable, current portion	26,469	-
	<u>295,341</u>	<u>153,681</u>
Note Payable, long term portion	8,851	-
<b>TOTAL LIABILITIES</b>	<u>304,192</u>	<u>153,681</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	216,905	97,164
Unrestricted	(179,634)	(90,637)
<b>TOTAL NET ASSETS</b>	<u>37,271</u>	<u>6,527</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 341,463</u></u>	<u><u>\$ 160,208</u></u>

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

**ARCHIMEDEAN ACADEMY, INC.**

**A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY**

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2005**

FUNCTIONS	2005					2004
						Summarized
	Program Revenues					Comparative
	Expenses	Charges for	Operating	Capital	Net (Expense)	Information
		Services	Grants and	Grants and	Revenue	Net (Expense)
			Contributions	Contributions	and Changes	Revenue
					in Net Assets	and Changes
						in Net Assets
<b>Component Unit Activities:</b>						
Instruction	\$ 1,001,890	\$ -	\$ -	\$ -	\$ (1,001,890)	\$ (432,521)
Pupil Personnel Services	-	-	-	-	-	(252)
Instruction and Curriculum						
Development Services	300	-	-	-	(300)	-
Instructional Staff Training						
Services	11,023	-	-	-	(11,023)	(10,160)
Board	12,680	-	-	-	(12,680)	4,050
School Administration	343,856	-	-	-	(343,856)	(215,840)
Facilities acquisition and construction	26,881	-	-	-	(26,881)	-
Fiscal Services	35,563	-	-	-	(35,563)	(14,038)
Food Services	111,917	76,180	-	-	(35,737)	608
Central Services	37,776	-	-	-	(37,776)	(25,992)
Pupil Transportation Services	2,400	-	-	-	(2,400)	(6,850)
Operation of Plant	357,427	-	-	120,727	(236,700)	(166,476)
Maintenance of Plant	11,045	-	-	-	(11,045)	2,530
Community Services	159,041	236,877	-	-	77,836	72,096
Interest	10,208	-	-	-	(10,208)	-
<b>Total Component Unit Activities</b>	<b>2,122,007</b>	<b>313,057</b>	<b>-</b>	<b>120,727</b>	<b>(1,688,223)</b>	<b>(792,845)</b>
GENERAL REVENUES:						
Government grants not restricted to specific programs					1,594,686	748,892
In-kind contributions and and other revenue					124,281	35,096
Change in Net Assets					30,744	(8,857)
NET ASSETS - BEGINNING					6,527	15,384
NET ASSETS - ENDING					<u>\$ 37,271</u>	<u>\$ 6,527</u>

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

**ARCHIMEDEAN ACADEMY, INC.****A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY****BALANCE SHEET****JUNE 30, 2005**

	2005				2004
	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds	(Summarized Comparative Information)
<b>ASSETS</b>					
Cash	\$ 36,359	\$ -	\$ -	\$ 36,359	\$ 19,821
Accounts receivable, no allowance necessary	13,730	-	-	13,730	2,775
Prepaid expenses	-	-	-	-	11,750
Due from other agencies	33,275	-	11,142	44,417	7,497
Deposits	21,201	-	-	21,201	21,201
Due to / from funds	(91,215)	102,357	(11,142)	-	-
<b>TOTAL ASSETS</b>	<u>\$ 13,350</u>	<u>\$ 102,357</u>	<u>\$ -</u>	<u>\$ 115,707</u>	<u>\$ 63,044</u>
<b>LIABILITIES</b>					
Salaries and wages payable	\$ 84,608	\$ -	\$ -	\$ 84,608	\$ 80,098
Line of credit	20,000	-	-	20,000	-
Accounts payable	184,264	-	-	184,264	73,583
<b>TOTAL LIABILITIES</b>	<u>288,872</u>	<u>-</u>	<u>-</u>	<u>288,872</u>	<u>153,681</u>
<b>FUND BALANCE</b>					
Unreserved	(275,522)	102,357	-	(173,165)	(90,637)
<b>TOTAL FUND BALANCE</b>	<u>(275,522)</u>	<u>102,357</u>	<u>-</u>	<u>(173,165)</u>	<u>(90,637)</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 13,350</u>	<u>\$ 102,357</u>	<u>\$ -</u>	<u>\$ 115,707</u>	<u>\$ 63,044</u>

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

ARCHIMEDEAN ACADEMY, INC.

A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE

STATEMENT OF NET ASSETS

JUNE 30, 2005

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Total Fund Balance - Governmental Funds \$ (173,165)

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

Capital assets of \$269,234, net of accumulated depreciation of \$43,478, used in governmental activities are not financial resources and therefore are not reported in the fund.

225,756

Long term liabilities, of \$15,320, are not due and payable in the current period and therefore, are not reported in the funds.

(15,320)

Total Net Assets - Governmental Activities

\$ 37,271

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

**ARCHIMEDEAN ACADEMY, INC.**

**A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**FOR THE YEAR ENDED JUNE 30, 2005**

	2005				2004
	General	Special	Capital	Total	Summarized
	Fund	Revenue	Projects	Governmental	Comparative
REVENUES	Fund	Fund	Fund	Funds	Information
Capital Outlay Funding	\$ -	\$ -	\$ 120,727	\$ 120,727	\$ 66,753
Local Sources	1,594,686	-	-	1,594,686	748,892
Other Grants	-	-	-	-	241,963
Other Revenue	99,761	24,520	-	124,281	10,924
In-Kind Contributions	-	-	-	-	24,172
Charges for Services	-	313,057	-	313,057	155,934
Total Revenues	<u>\$ 1,694,447</u>	<u>\$ 337,577</u>	<u>\$ 120,727</u>	<u>\$ 2,152,751</u>	<u>\$ 1,248,638</u>
EXPENDITURES					
Current:					
Instruction	\$ 975,650	\$ -	\$ -	\$ 975,650	\$ 627,899
Pupil Personnel Services	-	-	-	-	253
Instruction Curriculum Services	300	-	-	300	-
Instructional Staff Training					
Services	11,023	-	-	11,023	10,160
Board	12,680	-	-	12,680	5,950
General Administration	-	-	-	-	-
School Administration	343,590	-	-	343,590	220,207
Facilities acquisition	25,354	-	-	25,354	-
Fiscal Services	35,563	-	-	35,563	24,038
Food Services	35,664	76,180	-	111,844	40,728
Central Services	37,776	-	-	37,776	25,992
Pupil Transportation Services	2,400	-	-	2,400	6,850
Operation of Plant	236,026	-	120,727	356,753	235,536
Maintenance of Plant	10,506	-	-	10,506	5,112
Community Services	-	159,040	-	159,040	42,465
Capital Outlay:					
Other Capital Outlay	157,912	-	-	157,912	92,788
Debt Service:					
Interest expense	10,208	-	-	10,208	-
Total Expenditures	<u>1,894,652</u>	<u>235,220</u>	<u>120,727</u>	<u>2,250,599</u>	<u>1,337,978</u>
Excess (Deficiency) of Revenues					
Over Expenditures	(200,205)	102,357	-	(97,848)	(89,340)
OTHER FINANCING SOURCES	<u>15,320</u>	<u>-</u>	<u>-</u>	<u>15,320</u>	<u>-</u>
Net change in fund balance	(184,885)	102,357	-	(82,528)	(89,340)
Fund Balance at beginning of year	<u>(90,637)</u>	<u>-</u>	<u>-</u>	<u>(90,637)</u>	<u>(1,297)</u>
Fund Balance at end of year	<u>\$ (275,522)</u>	<u>\$ 102,357</u>	<u>\$ -</u>	<u>\$ (173,165)</u>	<u>\$ (90,637)</u>

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

ARCHIMEDEAN ACADEMY, INC.

A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

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Change in Fund Balance - Governmental Funds \$ (82,528)

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 \$157,912 exceed depreciation expense of \$29,320.

128,592

The proceeds from 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 proceeds of \$15,320 exceeded repayments of \$0 in the current period.

(15,320)

Change in Net Assets of Governmental Activities

\$ 30,744

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



ARCHIMEDEAN ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

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NOTE 1 – ORGANIZATION AND OPERATIONS

Archimedean Academy, Inc., (the "School"), is a not-for-profit charter school located in Miami, Florida for children from kindergarten through fifth grade. The School operates under a charter granted by the sponsoring district, the Miami-Dade County Public School District. The current charter is effective until June 30, 2012 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 also terminate the charter if good cause is shown. The School is considered a component unit of such District. Archimedean Academy, Inc. is funded by the Miami-Dade County Public School District and in addition, receives government grants.

These financial statements are for the year ended June 30, 2005, when 312 students were enrolled for the school year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Government-wide and Fund Financial Statements**

*Government-wide Financial Statements*

The government-wide financial statements include the statement of net assets and the statement of activities and changes in net assets. These statements report information for the School as a whole.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements*

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds, namely, the general, special revenue funds and capital project 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, that is legally restricted to expenditures for particular purposes.

Capital Projects Fund - accounts for funds received from the Public Education Outlay program which are used for the rent of facilities and other allowable capital expenditures.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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 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.

**Budgetary Basis Accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay).

Cash

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.

Other Assets

Other assets consist mainly on prepaid expenses, which are paid upon the receipt of the goods or services that were received but not consumed at year end. The expenditure will be recorded when the asset is used.

Long-term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities. Long term liabilities are due in more than one year.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Financing costs are reported as expenditures.

**ARCHIMEDEAN ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets, Depreciation and Amortization

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 assets are stated at fair value on the date donated. The School generally capitalizes assets with cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Improvements	10-20 Years
Furniture, Equipment and Textbooks	5 Years
Audiovisual Materials	5 Years

Revenue Sources

Revenues for operations will be received primarily from the Miami-Dade County District School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the 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.

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.

Compensated Absences

The School grants a specific number of days of vacation/sick/personal leave. Full time instructional employees are eligible for ten days per year. Employees, excluding administrators, wishing carry forward unused days, at year-end, may only carry forward a maximum number of five days. The remaining number of unused days must be cashed out at a rate of \$50.00 per day. A Full time instructional employee may only have a maximum number of fifteen vacation/sick/personal days at the beginning of any school year; ten for the current year and five carried over from previous years.

Government Accounting Standards Board (GASB) Statement 16, Accounting for Compensated Absences, requires governmental agencies to record as a liability the vested and future rights to sick and/or vacation leave. Accordingly, the financial statements include an accrual for such vested rights.

**ARCHIMEDEAN ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 3 – INCOME TAXES**

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

**NOTE 4 – DUE FROM AGENCIES**

Due from other agencies is comprised of amounts due from the Miami-Dade School Board and other as follows:

FTE	\$ 2,000
Capital Outlay	11,142
School Recognition Award	<u>31,275</u>
	<u>\$ 44,417</u>

**NOTE 5– CHANGES IN CAPITAL ASSETS**

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2005:

	Balance 07/01/04	Additions	Retirements	Balance 06/30/05
<b>Capital Assets</b>				
Improvements	\$ 15,800	\$ 30,476	\$ -	\$ 46,276
Furniture, Equipment and Textbooks	87,712	117,436	-	205,148
Audiovisual Materials	<u>7,810</u>	<u>10,000</u>	<u>-</u>	<u>17,810</u>
Total Capital Assets	111,322	157,912	-	269,234
<b>Less Accumulated Depreciation</b>				
Improvements	( 1,220)	( 570)	-	( 1,790)
Furniture, Equipment and Textbooks	( 12,157)	( 25,188)	-	( 37,345)
Audiovisual Materials	<u>( 781)</u>	<u>( 3,562)</u>	<u>-</u>	<u>( 4,343)</u>
Total Accumulated Depreciation	( 14,158)	( 29,320)	-	( 43,478)
Capital Assets, net	<u>\$ 97,164</u>	<u>\$ 128,592</u>	<u>\$ -</u>	<u>\$ 225,756</u>

Depreciation expense for the year ended June 30, 2005 was \$29,320 and has been allocated to various functions in the Statement of Activities.

**ARCHIMEDEAN ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

## NOTE 6 – ORGANIZATION’S MANAGEMENT

The School has entered into an agreement with Academica Corporation, a professional Charter School management company, to provide management and administrative services to the School. In providing management services to the School, officers of the management company may also serve as officers of the School, however none serve as members of the Board of Directors. The contract calls for a fee of \$450 per student per year and is renewable annually. During the year ended June 30, 2005, the School incurred approximately \$106,000, in management fees. At year end, the School owed the management company approximately \$136,000 for past due current year and prior year management fees. This balance is included in accounts payable.

Academica Corporation is located at 6255 Bird Road, Miami, Florida 33155 and its officers are:

- Fernando Zulueta, President
- Ignacio Zulueta, Vice President
- Magdalena Fresen, Vice President, Secretary
- Rosanne Wright, Treasurer

## NOTE 7 – LINE OF CREDIT

During 2005, the School obtained a line of credit in the amount of \$250,000 from its landlord (a related party). The line is due on demand and accrues interest at 0.75% over the Prime Rate. The balance of the line of credit as of June 30, 2005 was \$20,000.

## NOTE 8 – LONG-TERM DEBT

The School has a note payable to a financial institution in the amount of \$15,320. The note is secured by equipment and matures on 2008. The note is payable in monthly payments of principal and interest of \$466. Interest on the note accrues at 6% annually.

The following are annual maturities under the note payable

2006	\$	6,469
2007		5,202
2008		<u>3,649</u>
	\$	<u>15,320</u>

The School leases its campus from a related party pursuant to a lease term from July 2004 through June 2008. Monthly lease payments are approximately \$50,000.

In addition, the School leases office equipment payable at \$179 each month through September 2007.

\_\_\_\_\_ Total rent expense for the year ended June 30, 2005 was approximately \$220,000.

Future minimum payments under the operating leases for the next years until maturity are as follows:

	Fiscal Year	
	2006	613,200
	2007	753,200
	2008	788,200

## NOTE 10 – 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, 2005, the carrying amount of the School's deposits was \$36,359 and the respective bank balances totaled \$24,620. The total bank balances were covered by the Federal Depository Insurance Corporation (FDIC).

## NOTE 11 – GRANTS

— In the normal course of operations, the School receives grant funds from various federal, state and local agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not reflected in these financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

ARCHIMEDEAN ACADEMY, INC.

A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Capital outlay funding	\$ 120,000	\$ 120,000	\$ 120,727
Local Sources	1,590,000	1,590,000	1,594,686
Charges for Services and Other revenue	490,000	490,000	437,338
TOTAL REVENUE	2,200,000	2,200,000	2,152,751
EXPENDITURES			
Salaries	1,022,000	1,022,000	1,020,354
Employee benefits	197,000	197,000	196,057
Purchased services	580,000	579,000	558,706
Materials, supplies and expenses	128,000	128,500	126,976
Other expenses	270,000	269,525	190,594
TOTAL EXPENDITURES	2,197,000	2,196,025	2,092,687
Excess (Deficiency) of Revenues over Expenditures before Capital Outlay	3,000	3,975	60,064
OTHER FINANCING SOURCES	100,000	100,000	15,320
OTHER CAPITAL OUTLAY	(100,000)	(100,000)	(157,912)
NET CHANGE IN FUND BALANCE	\$ 3,000	\$ 3,975	\$ (82,528)





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

PEDRO M. DE ARMAS, C.P.A.  
ALEJANDRO D. GRAVIER, C.P.A.  
LEONARDO GRAVIER, C.P.A.  
LEONARDO D. GRAVIER, C.P.A.  
OCTAVIO A. VERDEJA, C.P.A.  
OCTAVIO F. VERDEJA, C.P.A.

JOSE M. IGLESIAS, C.P.A.  
CARMEN LLANO-GOMEZ, C.P.A.  
REGINO RODRIGUEZ, C.P.A.

Board of Directors of  
Archimedean Academy, Inc.  
Miami, Florida

We have audited the financial statements of Archimedean Academy, Inc. as of, and for the years ended June 30, 2005, and have issued our report thereon dated August 19, 2005. We conducted our audits 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 audits, we considered Archimedean Academy, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we reported to management of Archimedean Academy, Inc. in a separate management letter which is included in this reporting package.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Archimedean Academy, Inc.'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 the audit committee, management and regulatory bodies. However, this report is a matter of public record and its distribution is not limited.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 19, 2005



PEDRO M. DE ARMAS, C.P.A.  
ALEJANDRO D. GRAVIER, C.P.A.  
LEONARDO GRAVIER, C.P.A.  
LEONARDO D. GRAVIER, C.P.A.  
OCTAVIO A. VERDEJA, C.P.A.  
OCTAVIO F. VERDEJA, C.P.A.

JOSE M. IGLESIAS, C.P.A.  
CARMEN LLANO-GOMEZ, C.P.A.  
REGINO RODRIGUEZ, C.P.A.

## MANAGEMENT LETTER

Board of Directors of  
Archimedean Academy, Inc.  
Miami, Florida

This letter is written in connection with our audit of the basic financial statements of Archimedean Academy, Inc. as of and for the year ended June 30, 2005. The purpose for this letter is to communicate to you any comments and recommendations, and to comply with the requirements of Chapter 10.850 Rules of the Auditor General, Charter School Audits which requires that this report specifically address but not limit to the matters outlined in Rule 10.854(i)(d).

The following statements relate to requirements of the Auditor General:

1. There were no inaccuracies, irregularities, shortages, defalcations and/or violations of laws, rules, regulations or contractual provisions reported for the preceding audit.
2. Prior year findings and recommendations were followed.
3. The following are recommendations to improve the School's financial management, accounting procedures and internal controls:

### OPERATIONS

#### Observation

The School had a negative change in fund balance of \$82,528 in the governmental fund financials.

#### Recommendation

The School must increase its revenues or reduce its expenses in the upcoming year.

## FINANCIAL POSITION

### Observation

The School's current liabilities of \$ 295,341 are substantially higher than its current assets of \$94,506. In addition, the School has unrestricted net assets of negative \$179,634.

### Recommendation

The School must improve its financial position by generating more revenues than expenses, reducing its liabilities and increasing cash on hand.

4. There were no violations of laws, rules, regulations or contractual provisions discovered during our audit.
5. There were no illegal or improper expenditures discovered during our audit, relating to improper or inadequate accounting procedures, improperly recorded transactions, fraud or other reportable conditions.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 19, 2005

## Archimedean Academy

September 13, 2005

Mr. Octavio Verdeja, Jr.  
Verdeja & Gravier, CPA  
201 Alhambra Circle, Ste 901  
Coral Gables, FL 33134

RE: MANAGEMENT'S RESPONSES TO AUDITOR'S OBSERVATIONS

Dear Mr. Verdeja:

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

### Operations

#### Observation

The School had a negative change in fund balance of \$82,528 in the governmental fund financials.

#### Management Response

Due to the temporary limit of the building capacity for the current school year, fewer students were served. The school's plans for the next couple of years are to gradually increase the building capacity and therefore increase enrollment, and consequently revenue. A Middle School will also be opening for the 05-06 school year which will lower fixed cost as they will be sharing the same facility. This is forecasted to substantially improve the ratio of assets to liabilities in the school's financial position.

### Financial Position

#### Observation

The School's current liabilities of \$295,341 are substantially higher than its current assets of \$94,506. In addition, the School has unrestricted net assets of negative \$179,634.

#### Management Response

As referenced above, due to the temporary limit of the building capacity for the current school year, fewer students were served. The school's plans for the next couple of years are to gradually increase the building capacity and therefore increase enrollment, and consequently revenue. A Middle School will also be opening for the 05-06 school year which will lower fixed cost as they will be sharing the same facility. This is forecasted to substantially improve the ratio of assets to liabilities in the school's financial position.

Sincerely,



George Kafkoulis, President  
Archimedean Academy

# ARCHIMEDEAN ACADEMY

## AUDIT COMPLETION CHECKLIST FOR CHARTER SCHOOLS AND OTHER ORGANIZATIONS MIAMI-DADE COUNTY PUBLIC SCHOOLS

The following information should be included in the yearly audit by the organizations submitting their annual external audit. For charter schools, the Auditor General of the State of Florida has issued rules that must be complied with (Chapter 10.850). Please share this checklist with your external auditor.

- X   1. The name and address of the school.
- X   2. The name of the principal running the school.
- X   3. Current list of the Board of Directors of the school.
- X   4. If the school is operated by a management company:
  - X   a. Name of the company
  - X   b. Address
  - X   c. List of principal officials
  - X   d. Contractual arrangement with the company, such as length of contract, terms, total fees paid for the year, etc. (This information should be included in the footnotes to the financial statements).
- N/A  5. The financial statements must include comparative totals for the prior year.
- X   6. The financial statements must comply with GASB 34 requirements, if applicable.
- X   7. In the footnotes of the financial statements, the following should be disclosed:
  - X   a. Total school enrollment and grade configuration. If separate facilities are in operation, disclose name, address, and the enrollment and grade configuration at each facility.
  - X   b. Full disclosure of related party transactions, which should include the related party's name and address, and disclosure of the transaction, particularly if it is a loan that needs to be repaid (principal and interest paid and unpaid). If the debt is in arrears, disclosure of arrangements made to satisfy the debt.
  - N/A  c. Full disclosure of any other debts in arrears, particularly as they relate to the payment of withholding/social security taxes. Arrangements made to pay the debt(s).
  - X   d. For charter schools, full disclosure in the notes or as a separate schedule in the audit of the tangible personal property purchased with public funds. (It is a current contractual requirement for charter schools; however, we recommend that it be part of the audit).
  - X   e. If there is a deficit cash position or significant losses shown in the financial statements, full disclosure as to how the school plans to keep operating. The current assets should be sufficient to cover the current liabilities. The issue is whether sufficient resources would be available to maintain the school open. This issue may be addressed in the Management Letter.
  - X   f. Any disclosures of events subsequent to the balance sheet date that the auditor believes are important to the readers of the financial statements (e.g., significant contractual arrangements and financing or refinancing of debt, payment of past due taxes, etc.).
- N/A  8. If the audit is not submitted within the contractually required deadline, the Management Letter must comment on it with the appropriate response from the organization as to how it is going to be remedied in future audit submittals.
- X   9. If there are Management Letter findings, each finding must include a response by the organization. If there were prior audit findings, the current audit must include the status of action taken, i.e., whether the recommendation was fully implemented and, if not, when (date) it will be fully implemented. Note that quarterly reports may be required on a case-by-case basis depending on the severity or lack of resolution of the issues noted in the Management Letter.
- X   10. Please enter the following information about the Certified Public Accountant issuing the audit report:
 

CPA's Name Verdeja, Gravier & De Armas  
 CPA's Address 201 Alhambra Circle, Suite 901  
 License No. AD 0015927 Status Active  
 Expiration Date December 31, 2005

In reference to this checklist, please refer any questions to the Office of Management and Compliance Audits, attention Mr. Norberto Ferradaz, CPA (305) 995-1318.

Please forward a copy of the completed checklist with your audit.