

PINECREST PREPARATORY ACADEMY
(A Charter School Under Pinecrest Academy, Inc.)
MIAMI, FLORIDA

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2006

MANAGEMENT AND
BOARD OF DIRECTORS
2006 SEP 13 PM 2:0

INDEPENDENT AUDITORS
AND FINANCIAL INSTITUTIONS
2006 SEP 12 AM 8:54

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PINECREST PREPARATORY ACADEMY
(A Charter School Under Pinecrest Academy, Inc.)
14301 SW 42nd Street
Miami, Florida 33175
(305) 207-1027

2005-2006

BOARD OF DIRECTORS

Judith Marty, Chairman
Ruth Jacoby, PhD
Scott Leeds, J.D.
Isabel Rodriguez
Shannine Sadesky

SCHOOL ADMINISTRATION

Susie Dopico, Principal
Jeanette Menendez, Assistant Principal

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pinecrest Preparatory Academy
(A Charter School Under Pinecrest Academy, Inc.)
Miami, Florida

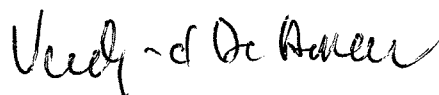
We have audited the accompanying basic financial statements of the governmental activities and each major fund of Pinecrest Preparatory Academy, (A Charter School Under Pinecrest Academy, Inc.), (the "School") a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2006, 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 year summarized comparative information has been derived from the School's 2005 financial statements and, in our report dated August 19, 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 Pinecrest Preparatory Academy as of June 30, 2006 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 25, 2006, 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 22 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 25, 2006

Management's Discussion and Analysis
Pinecrest Preparatory Academy
(A Charter School Under Pinecrest Academy, Inc.)
June 30, 2006

The corporate officers of the Pinecrest Preparatory Academy (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2006.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2006 by \$453,927 (net assets).
2. At year-end, the School had current assets of \$833,318.
3. The net assets of the School increased by \$13,095 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, 2006 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 – 20 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Assets exceeded liabilities by \$453,927 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, 2006 and 2005 follows:

	2006	2005
Cash	\$ 647,848	\$ 305,524
Accounts Receivable	12,799	15,529
Due from Other Agencies	129,981	62,582
Due from Other Charter Schools	-	61,602
Prepaid Expenses	42,690	-
Deposits	3,225	47,310
Capital Assets	431,500	200,212
Total Assets	<u>\$ 1,268,043</u>	<u>\$ 692,759</u>
Capital Lease and Other Payables	\$ 162,779	-
Accounts Payable and Other Liabilities	\$ 651,337	\$ 251,927
Total Liabilities	<u>\$ 814,116</u>	<u>\$ 251,927</u>
Invested in Capital Assets, net of related debt	\$ 261,369	\$ 200,212
Unrestricted	192,558	240,620
Total Net Assets	<u>\$ 453,927</u>	<u>\$ 440,832</u>

At the end of the fiscal year, the School is able to report positive balances in total net assets. The same situation held true for the prior fiscal year.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2006 and 2005 follows:

	2006	2005
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 161,341	\$ -
Capital Grants and Contributions	351,586	183,546
Charges for Services	217,625	33,365
General Revenues		
Grants Not Restricted	3,941,210	2,338,289
Fund Raising and Other	<u>84,731</u>	<u>123,417</u>
Total Revenues	<u>\$4,756,493</u>	<u>\$2,678,617</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$2,643,417	\$1,432,761
Instructional Staff Training Services	11,721	4,467
Instructional Media Services	1,391	1,391
Board	17,999	2,030
School Administration	556,958	276,088
Fiscal Services	112,495	84,012
Facilities Acquisition and Construction	400	109
Food Services	58,633	467
Central Services	78,390	75,011
Pupil Transportation Services		-
Operation of Plant	977,552	607,920
Maintenance of Plant	147,072	23,288
Community Services	<u>137,370</u>	<u>141,419</u>
Total Expenses	<u>4,743,398</u>	<u>2,648,963</u>
Increase in Net Assets	13,095	29,654
Net Assets at Beginning of Year	<u>440,832</u>	<u>411,178</u>
Net Assets at End of Year	<u>\$ 453,927</u>	<u>\$ 440,832</u>

Pinecrest Preparatory Academy's revenue and expenses increased by \$2,077,876 and \$2,094,441 respectively in the current year. The School had an increase in its fund balance (change in net assets) of \$13,095 for the year.

Lease of Facility

The School leases a facility located at SW 143rd Avenue and 42nd Street (Bird Road).

Capital Improvement Requirements

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

Accomplishments

For the 3rd consecutive year, Pincrest Preparatory Academy was once again recognized as a top-performing school in Miami-Dade County. The School received a grade of “A” during the 2005-2006 school year and received a School Recognition Award from the Florida Department of Education. It also achieved Adequate Yearly Progress under *No Child Left Behind*.

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 \$192,558.

Capital Assets

The School’s investment in capital assets as of June 30, 2006 amounts to \$431,500 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and 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			
Program Revenues			
Operating Grants and Contributions	\$ 160,000	\$ 160,000	\$ 161,341
Capital Grants and Contributions	350,000	350,000	351,586
Charges for Services	200,000	200,000	217,625
General Revenues			
Grants Not Restricted	3,935,000	3,935,000	3,941,210
Fund Raising and Other	<u>80,000</u>	<u>80,000</u>	<u>84,731</u>
Total Revenues	<u>\$ 4,700,000</u>	<u>\$4,725,000</u>	<u>\$ 4,756,493</u>
EXPENSES			
Component Unit Activities:			
Instruction	\$ 2,645,000	\$ 2,645,000	\$ 2,643,417
Instructional Staff Training Services	12,150	12,150	11,721
Instructional Media Services	1,500	1,500	1,391
Board	15,000	18,000	17,999
School Administration	581,000	581,000	556,958
Fiscal Services	110,000	113,075	112,495
Facilities Acquisition and Construction	250	450	400
Food Services	55,925	58,925	58,633
Central Services	78,900	78,900	78,390
Operation of Plant	980,000	980,000	977,552
Maintenance of Plant	147,700	147,700	147,072
Community Services	<u>142,500</u>	<u>142,500</u>	<u>137,370</u>
Total Expenses	<u>\$ 4,769,925</u>	<u>\$4,779,200</u>	<u>\$4,743,398</u>

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC (f/k/a Academica, Corp.) 6255 Bird Road, Miami, Florida, 33155.

PINECREST PREPARATORY ACADEMY (A Charter School Under Pinecrest Academy, Inc.)
A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	2006	2005
		(Summarized Comparative Information)
ASSETS		
CURRENT ASSETS		
Cash	\$ 647,848	\$ 305,524
Accounts receivable, no allowance necessary	12,799	15,529
Due from other agencies	129,981	62,582
Due from other charter schools	-	61,602
Prepaid Expenses	42,690	-
TOTAL CURRENT ASSETS	<u>833,318</u>	<u>445,237</u>
CAPITAL ASSETS		
Buildings and fixed equipment	5,929	2,175
Less accumulated depreciation	(405)	(108)
Furniture, equipment and textbooks	692,352	357,506
Less accumulated depreciation	(268,811)	(163,182)
Computer software	3,127	3,127
Less accumulated depreciation	(2,074)	(1,449)
Audio visual materials	3,808	3,808
Less accumulated depreciation	(2,426)	(1,665)
	<u>431,500</u>	<u>200,212</u>
DEPOSITS	3,225	47,310
TOTAL ASSETS	<u>\$ 1,268,043</u>	<u>\$ 692,759</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Salaries and wages payable	\$ 214,471	\$ 12,807
Accounts payable	233,077	119,993
Deferred revenue	36,437	119,127
Due to management company	160,000	-
Capital Lease Payable - current portion	7,352	-
TOTAL CURRENT LIABILITIES	<u>651,337</u>	<u>251,927</u>
DUE TO OTHER CHARTER SCHOOLS	140,000	
CAPITAL LEASE PAYABLE	22,779	-
TOTAL LIABILITIES	<u>814,116</u>	<u>251,927</u>
NET ASSETS		
Invested in capital assets, net of related debt	261,369	200,212
Unrestricted	192,558	240,620
TOTAL NET ASSETS	<u>453,927</u>	<u>440,832</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,268,043</u>	<u>\$ 692,759</u>

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

PINECREST PREPARATORY ACADEMY (A Charter School Under Pinecrest 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, 2006

FUNCTIONS	2006				2005	
	Expenses	Program Revenues			Net (Expense) and Changes in Net Assets	(Summarized Comparative Information) Net (Expense) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Component Unit Activities:						
Instruction	\$ 2,504,507	\$ -	\$ 149,620	\$ -	\$ (2,354,887)	\$ (1,432,761)
Instructional Media Services	1,391	-	-	-	(1,391)	(1,391)
Instructional Staff Training Services	11,721	-	11,721	-	-	(4,467)
Board	17,999	-	-	-	(17,999)	(2,030)
School Administration	556,958	-	-	-	(556,958)	(276,088)
Facilities Acquisition and Construction	400	-	-	-	(400)	(109)
Fiscal Services	112,495	-	-	-	(112,495)	(84,012)
Food Services	58,633	24,230	-	-	(34,403)	(467)
Central Services	78,390	-	-	-	(78,390)	(75,011)
Operation of Plant	977,552	-	-	351,586	(625,966)	(607,920)
Maintenance of Plant	147,072	-	-	-	(147,072)	160,258
Community Services	276,280	193,395	-	-	(82,885)	(108,054)
Total Component Unit Activities	4,743,398	217,625	161,341	351,586	(4,012,846)	(2,432,052)
GENERAL REVENUES:						
					3,944,710	2,338,289
					81,231	123,417
					13,095	29,654
					440,832	411,178
					<u>\$ 453,927</u>	<u>\$ 440,832</u>

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

PINECREST PREPARATORY ACADEMY (A Charter School Under Pinecrest Academy, Inc.)
A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
BALANCE SHEET
JUNE 30, 2006

	2006			2005	
	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental funds	(Summarized Comparative Information)
ASSETS					
Cash	\$ 512,647	\$ 135,201	\$ -	\$ 647,848	\$ 305,524
Accounts receivable, no allowance necessary	12,799	-	-	12,799	15,529
Due from other agencies	46,500	-	83,481	129,981	62,582
Due from other charter schools	-	-	-	-	61,602
Deposits	3,225	-	-	3,225	47,310
Due to / from other funds	83,481	-	(83,481)	-	-
Prepaid expenses	42,690	-	-	42,690	-
TOTAL ASSETS	\$ 701,342	\$ 135,201	\$ -	\$ 836,543	\$ 492,547
LIABILITIES					
Salaries and wages payable	\$ 214,471	\$ -	\$ -	\$ 214,471	\$ 12,807
Accounts payable	233,076	-	-	233,076	119,993
Deferred revenue	36,438	-	-	36,438	119,127
Due to management company	160,000	-	-	160,000	-
TOTAL LIABILITIES	643,985	-	-	643,985	251,927
FUND BALANCE					
Unreserved	57,357	135,201	-	192,558	240,620
TOTAL FUND BALANCE	57,357	135,201	-	192,558	240,620
TOTAL LIABILITIES AND FUND BALANCE	\$ 701,342	\$ 135,201	\$ -	\$ 836,543	\$ 492,547

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

PINECREST PREPARATORY ACADEMY (A Charter School Under Pinecrest 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, 2006

Total Fund Balance - Governmental Funds \$ 192,558

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

Capital assets of \$705,216, net of accumulated depreciation of \$273,716 used in governmental activities are not financial resources and therefore are not reported in the fund. 431,500

Long term debt, of \$170,131, are not due and payable in the current period and therefore, are not reported in the funds. (170,131)

Total Net Assets - Governmental Activities \$ 453,927

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

PINECREST PREPARATORY ACADEMY (A Charter School Under Pinecrest 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, 2006

	2006			2005	
	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental funds	(Summarized Comparative Information)
REVENUES					
Capital outlay funding	\$ -	\$ -	\$ 351,586	\$ 351,586	\$ 183,546
Local Sources	3,944,710	-	-	3,944,710	2,338,289
Federal Grants	-	161,341	-	161,341	-
Fees from pre-school and after school programs	-	217,625	-	217,625	33,365
Other revenue	81,231	-	-	81,231	123,417
Total Revenues	<u>\$ 4,025,941</u>	<u>\$ 378,966</u>	<u>\$ 351,586</u>	<u>\$ 4,756,493</u>	<u>\$ 2,678,617</u>
EXPENDITURES					
Current:					
Instruction	\$ 2,270,207	\$ 149,620	\$ -	\$ 2,419,827	\$ 1,377,008
Instructional Staff					
Training Services	-	11,721	-	11,721	4,467
Board	17,999	-	-	17,999	2,030
School Administration	556,958	-	-	556,958	276,087
Fiscal Services	112,495	-	-	112,495	84,013
Food Services	26,028	24,230	-	50,258	467
Central Services	78,396	-	-	78,396	75,010
Operation of Plant	613,496	-	351,586	965,082	597,619
Maintenance of Plant	147,070	-	-	147,070	23,288
Community Services	82,885	193,395	-	276,280	141,421
Capital Outlay:					
Other Capital Outlay	338,600	-	-	338,600	56,616
Total Expenditures	<u>4,244,134</u>	<u>378,966</u>	<u>351,586</u>	<u>4,974,686</u>	<u>2,638,026</u>
Excess (deficit) of Revenues					
Over Expenditures	<u>(218,193)</u>	<u>-</u>	<u>-</u>	<u>(218,193)</u>	<u>40,591</u>
OTHER FINANCING SOURCES	<u>170,131</u>	<u>-</u>	<u>-</u>	<u>170,131</u>	<u>-</u>
Net change in fund balance	(48,062)	-	-	(48,062)	40,591
Fund Balance at beginning of year	<u>240,620</u>	<u>-</u>	<u>-</u>	<u>240,620</u>	<u>200,029</u>
Fund Balance at end of year	<u>\$ 192,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,558</u>	<u>\$ 240,620</u>

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

PINECREST PREPARATORY ACADEMY (A Charter School Under Pinecrest 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, 2006

Change in Fund Balance - Governmental Funds \$ (48,062)

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 \$338,600 exceed depreciation expense of \$107,312. 231,288

The proceeds from debt issuance provide current financial resources to governmentatl 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 \$170,131 exceeded repayments of \$ 0 in the current period. (170,131)

Change in Net Assets of Governmental Activities \$ 13,095

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

PINECREST PREPARATORY ACADEMY (A Charter School Under Pinecrest Academy, Inc.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – ORGANIZATION AND OPERATIONS

Pinecrest Preparatory Academy (A Charter School Under Pinecrest 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 "District"). The current charter is effective until June 30, 2006 and may be renewed an additional 15 year term by 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. Pinecrest Preparatory Academy is funded by the Miami-Dade County Public School District and in addition, receives government grants. The District approved the renewal of the Charter for 2005-2006 through 2020. However, as of June 30, 2006, the extension of the contract had not been signed.

These financial statements are for the year ended June 30, 2006, when 750 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.

PINECREST PREPARATORY ACADEMY (A Charter School Under Pinecrest Academy, Inc.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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:

Building and fixed equipment	10-20 Years
Furniture, Equipment and Textbooks	5 Years
Audiovisual Materials	5 Years
Computer Software	3 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 one day per month up to ten days of active work during the ten month period. Employees and administrators wishing to carry forward unused vacation days, at year-end, may do so. The employee can only cash out if they have used three days or less of their vacation days in that school year. The employees cannot cash out more than ten days per school year and are required to always maintain a minimum of ten days unused vacation. The cash out value is eighty percent of their daily rate.

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.

PINECREST PREPARATORY ACADEMY (A Charter School Under Pinecrest Academy, Inc.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transactions with Affiliates

The School has been granted a Charter by the sponsoring district and operates and reports under that charter. However, the School may be part of a corporation which includes several other charter schools. These financial statements report the financial condition and operations of the charter school only and not of the corporation. In the normal course of its business, the School may transact with other affiliated charter schools that are part of the corporation including the sharing of facilities and expenses. See notes in these financial statements as to transactions with other schools and operating leases and other commitments.

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.

Reclassifications

Certain accounts in the June 30, 2005 financial statements have been reclassified to conform to the June 30, 2006 presentation

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 to the school as follows:

Capital Outlay	\$ 83,481
School Achievement Award	<u>46,500</u>
	<u>\$ 129,981</u>

PINECREST PREPARATORY ACADEMY (A Charter School Under Pinecrest Academy, Inc.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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, 2006:

	Balance 07/01/05	Additions	Retirements	Balance 06/30/05
Capital Assets				
Buildings and Fixed Equipment	\$ 2,175	\$ 3,754	\$ -	\$ 5,929
Furniture, Equipment and Textbooks	357,506	334,846	-	692,352
Audiovisual Materials	3,808	-	-	3,808
Computer Software	3,127	-	-	3,127
Total Capital Assets	<u>366,616</u>	<u>338,600</u>	<u>-</u>	<u>705,216</u>
Less Accumulated Depreciation				
Buildings and Fixed Equipment	(108)	(297)	-	(405)
Furniture, Equipment and Textbooks	(163,182)	(105,629)	-	(268,811)
Audiovisual Materials	(1,665)	(761)	-	(2,426)
Computer Software	(1,449)	(625)	-	(2,074)
Total Accumulated Depreciation	<u>(166,404)</u>	<u>(107,312)</u>	<u>-</u>	<u>(273,716)</u>
Capital Assets, net	<u>\$ 200,212</u>	<u>\$ 231,288</u>	<u>\$ -</u>	<u>\$ 431,500</u>

Depreciation expense for the year ended June 30, 2006 was \$107,312 and is allocated to the various functions in the Statement of Activities.

NOTE 6 – ORGANIZATION’S MANAGEMENT

The School has entered into an agreement with Academica Dade, LLC (f/k/a Academica, Corp.), 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 not serve as members of the Board of Directors of a school. The contract calls for a fee of \$450 per student per year and is renewable annually. During the year ended June 30, 2006, the School incurred \$337,275, in management fees, of which approximately \$145,000 were due to the management company at year end and are included in accounts payable.

Academica Dade, LLC (f/k/a Academica, Corp.) is located at 6255 Bird Road, Miami, Florida 33155 as of June 30, 2006 its officers are:

Fernando Zulueta, President
 Magdalena Fresen, Vice President, Treasurer
 Amy Nunez, Secretary

NOTE 7 – LINE OF CREDIT

The School has a line of credit provided by the management company for its use on an as needed basis. As of June 30, 2006, the balance due was \$160,000.

PINECREST PREPARATORY ACADEMY (A Charter School Under Pinecrest Academy, Inc.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 8 – COMMITMENTS UNDER OPERATING LEASES AND CONTRACTS/CONTINGENCIES

The School entered into an amended lease with Pinecrest School Development, LLC for its facilities, which it shares with another school. The lease expires on August 2024, with an option to renew for an additional five years. Annual payments under this agreement are approximately \$418,000 adjusted annually by the Consumer Price Index (CPI). The payments for this lease are allocated 73% to the School and 27% to another charter school under Pinecrest Academy, Inc.

At the time the lease was signed, Fernando Zulueta (See Note 6) was concluding his service as President of the School. Although the landlord was represented by a relative of Mr. Zulueta, neither Mr. Zulueta or that relative participated in the School's decision to enter into the lease, which was approved by the School's independent Board of Directors. Neither Mr. Zulueta or his relative were on the Board of Directors at the time, and neither Mr. Zulueta or his relative had a direct or indirect interest in the landlord.

Under the term of the lease agreement, all lease payments due under the agreement are secured by pledged revenues and all fixed assets.

In addition, the School also leases various office equipment with monthly payments ranging from \$424 to \$4,212 through 2008. Rent expense for the year ended June 30, 2006 was approximately \$445,000.

Future minimum payments under the leases are as follows:

<u>Fiscal Year</u>	
2007	427,776
2008	423,014
2009	418,904
2010	417,960
2011	417,960
2012-2016	2,089,800
2017-2021	2,089,800
2022-2024	1,306,125

Finally, the School carries comprehensive liability insurance for claims that may arise in the regular course of business. At the present time, management believes that any claims the school may have are insured and that any expense associated therewith will not materially affect the financial position of the School.

NOTE 9 – 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, 2006, the carrying amount of the School's deposits was \$647,848 and the respective bank balances totaled \$885,666. Out of the total bank balances approximately, \$100,000 was covered by the Federal Depository Insurance Corporation (FDIC). The remainder was partially collateralized by U.S. Government obligations under a repurchase agreement with Wachovia Bank.

PINECREST PREPARATORY ACADEMY (A Charter School Under Pinecrest Academy, Inc.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 10– TRANSACTIONS WITH OTHER SCHOOLS

As indicated in note 8, during 2006, the School's facilities were shared with Pinecrest Preparatory Academy Charter Middle School (a component unit of the District School Board of Miami Dade County). Management allocates a proportionate share of leases, equipment, salaries and other expenses to each school individually based on student enrollment and usage of facilities and staff.

In addition, the School has a due to Pinecrest Preparatory Academy Charter Middle School of \$140,000 as of June 30, 2006.

Finally, the Board Chair of the School serves as principal in an affiliated School.

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

PINECREST PREPARATORY ACADEMY (A Charter School Under Pinecrest 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, 2006

	Governmental Funds		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Operating Grants and Contributions	\$ 160,000	\$ 160,000	\$ 161,341
Capital Outlays and Contributions	350,000	350,000	351,586
General Revenues	200,000	200,000	217,625
Government Grants Not Restricted to Specific Programs	3,910,000	3,935,000	3,941,210
Fund Raising and Other	80,000	80,000	84,731
TOTAL REVENUES	\$ 4,700,000	\$ 4,725,000	\$ 4,756,493
EXPENDITURES			
Component Unit Activities:			
Instruction	\$ 2,645,000	\$ 2,645,000	\$ 2,643,417
Instructional Staff Training Services	12,150	12,150	11,721
Instructional Media Services	1,500	1,500	1,391
Board	15,000	18,000	17,999
School Administration	581,000	581,000	556,958
Fiscal Services	110,000	113,075	112,495
Facilities Acquisition and Construction	250	450	400
Food Services	55,925	58,925	58,633
Central Services	78,900	78,900	78,390
Operation of Plant	980,000	980,000	977,552
Maintenance of Plant	147,700	147,700	147,072
Community Services	142,500	142,500	137,370
TOTAL EXPENDITURES	\$ 4,769,925	\$ 4,779,200	\$ 4,743,398

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.
OCTAVIO A. VERDEJA, C.P.A.
OCTAVIO F. VERDEJA, C.P.A.

JORGE M. MORALES, C.P.A.
ALEJANDRO M. TRUJILLO, C.P.A.
TAB VERDEJA, C.P.A.

Board of Directors of
Pinecrest Preparatory Academy
(A Charter School Under Pinecrest Academy, Inc.)
Miami, Florida

We have audited the financial statements of Pinecrest Preparatory Academy (A Charter School Under Pinecrest Academy, Inc.) as of, and for the years ended June 30, 2006 and have issued our report thereon dated August 25, 2006. 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 Pinecrest Preparatory Academy'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 Pinecrest Preparatory Academy in a separate management letter which is included in this reporting package.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pinecrest Preparatory Academy'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.

Vcedy & De Anar

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 25, 2006

MANAGEMENT LETTER

PEDRO M. DE ARMAS, C.P.A.
OCTAVIO A. VERDEJA, C.P.A.
OCTAVIO F. VERDEJA, C.P.A.

Board of Directors of
Pinecrest Preparatory Academy
(A Charter School Under Pinecrest Academy, Inc.)
Miami, Florida

JORGE M. MORALES, C.P.A.
ALEJANDRO M. TRUJILLO, C.P.A.
TAB VERDEJA, C.P.A.

This letter is written in connection with our audit of the basic financial statements of Pinecrest Preparatory Academy (A Charter School Under Pinecrest Academy, Inc.) as of and for the year ended June 30, 2006. 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. (See below.)
3. The following are recommendations to improve the School's financial management, accounting procedures and internal controls:

CURRENT YEAR FINDINGS

Transactions with Affiliates

Observation

During our audit, we noted certain transactions with affiliated entities. In addition, we became aware that certain board members and employees of the School serve as board members of other schools.

Recommendation

The Board of Directors of the School should ensure that policies are developed and adopted whereby transactions between a school and any affiliated entity is reviewed for objectivity in order to avoid any potential conflict of interests.

Bank Reconciliations

Observation

During our testing, we noted certain checks that had been recorded in the general ledger but were not posted to the bank reconciliation.

Recommendation

Management should review bank reconciliations on a regular basis to ensure that they agree with the general ledger.

PRIOR YEAR FINDINGS

Segregation of Duties

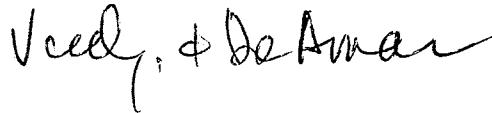
Observation

Due to the limited number of personnel, certain duties are performed by one individual, such as signing checks and recording transactions in the general ledger.

Recommendation

To the extent possible, the custody, authorization and record keeping of the cash disbursement function should be segregated.

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 25, 2006

Pinecrest Academy

September 5, 2006

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 observations:

CURRENT YEAR FINDINGS

Observation

During our audit, we noted certain transactions with affiliated entities. In addition, we became aware that certain board members and employees of the School serve as board members of other schools.

Management Response

The Board of the School will develop and adopt a comprehensive policy addressing transactions with affiliated entities to ensure that any such transactions are evaluated for objectivity and reasonableness.

Observation

During our testing, we noted certain checks that had been recorded in the general ledger but were not posted to the bank reconciliation.

Management Response

To expedite the preparation of the year end financial statements for audit, the school closed postings to the General Ledger prior to reconciling the bank statements. Postings to the ledger were accurate and adjustments necessitated by the bank reconciliations were posted manually.

PRIOR YEAR FINDINGS

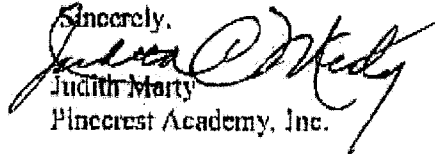
Observation

Due to the limited number of personnel, certain duties are performed by one individual, such as signing checks and recording transactions in the general ledger.

Management Response

The prior year findings regarding segregation of duties were resolved by allocating segregated tasks to new staff members.

Sincerely,



Judith Marty
Pinecrest Academy, Inc.

PINECREST PREPARATORY 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.**

- 1. The name and address of the school.
- 2. The name of the principal running the school.
- 3. Current list of the Board of Directors of the school.
- 4. If the school is operated by a management company:
 - a. Name of the company
 - b. Address
 - c. List of principal officials
 - 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).
- 5. The financial statements must include comparative totals for the prior year.
- 6. The financial statements must comply with GASB 34 requirements, if applicable.
- 7. In the footnotes of the financial statements, the following should be disclosed:
 - 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.
 - 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.
 - 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).
 - 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).
 - 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.
 - 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.).
- 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.
- 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.
- 10. Please enter the following information about the Certified Public Accountant issuing the audit report:
 - CPA's Name: **Verdeja & De Armas, LLP**
 - CPA's Address: **255 Alhambra Circle, Suite 424, Coral Gables, FL 33134**
 - License No.: **AD 64730** Status: **Active**
 - Expiration Date: **December 31, 2007**

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.