

SUNSHINE ACADEMY CHARTER SCHOOL
(A Charter School Under Sunshine Academy, Inc.)
NORTH MIAMI, FLORIDA

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2006

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AND FINANCIAL STATEMENTS

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SUNSHINE ACADEMY CHARTER SCHOOL
(A Charter School Under Sunshine Academy, Inc)
14550 NE 6th Avenue
North Miami, Florida 33161
(305) 947-3650

2005-2006

BOARD OF DIRECTORS

Ana Fernandez – Chair
Sheldon Williams
Sergy Tabetau

SCHOOL ADMINISTRATION

Ana Maria Manzano, President

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sunshine Academy Charter School
(A Charter School Under Sunshine Academy, Inc.)
North Miami, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Sunshine Academy Charter School, (A Charter School Under Sunshine Academy, Inc.), (the "School") a component unit of the District School Board of Miami-Dade County, as of, and from July 1, 2005 (inception of operations) through 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.

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 Sunshine Academy Charter School, as of June 30, 2006 and the respective changes in financial position for the period 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 September 8, 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 7 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
September 8, 2006

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

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

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2006 by \$117,632 (net assets).
2. At year-end, the School had current assets on hand of \$80,700.
3. The net assets of the School increased by \$117,632 during the year. This was the first school year of operations.

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 8 - 9 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 10 - 13 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 14 - 18 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Assets exceeded liabilities by \$117,632 at the close of the period. 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 as follows:

	<u>2006</u>
Cash	\$ 69,603
Due from Affiliated Schools and Others	11,097
Deposits	20,000
Capital Assets	<u>16,932</u>
Total Assets	<u>\$ 117,632</u>
Invested in Capital Assets, net of related debt	\$ 16,932
Unrestricted	<u>100,700</u>
Total Net Assets	<u>\$ 117,632</u>

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

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

	<u>2006</u>
REVENUES	
Program Revenues	
Operating Grants and Contributions	\$ 562,139
General Revenues	
Government Grants Not Restricted to Specific Programs	287,659
Other Revenues	<u>798</u>
Total Revenues	<u>\$ 850,596</u>
EXPENSES	
Component Unit Activities:	
Instruction	\$ 332,510
Instruction and Curriculum	
Development Services	322
Instructional Staff Training Services	6,600
Board	475
School Administration	164,484
Facilities Acquisition and Construction	65
Fiscal Services	2,256
Food Services	38,991
Central Services	1,312
Pupil Transportation Services	40,834
Operation of Plant	133,566
Maintenance of Plant	6,510
Community Services	<u>5,039</u>
Total Expenses	<u>\$ 732,964</u>
Increase in Net Assets	117,632
Net Assets at Beginning of Year	-
Net Assets at End of Year	<u><u>\$ 117,632</u></u>

Sunshine Academy Charter School's revenue and expenses were \$850,596 and \$732,964 for the first year of operations. The largest expense categories for the year were for Instruction, School Administration and Operation of Plant.

Lease of Facility

The School leases a facility located at 14550 NE 6th Avenue, North Miami, FL 33161

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 \$100,700

Capital Assets

The School's investment in capital assets as of June 30, 2006 amounts to \$16,932 (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.

	Original Budget	Governmental Fund Final Budget	Actual
REVENUES			
Federal Direct			
Federal Grants	\$ 300,000	\$ 300,000	\$ 287,659
General Revenues			
State Government Grants Not Restricted to Specific Programs	550,000	560,000	562,539
Other	1,000	500	398
TOTAL REVENUES	\$ 851,000	\$ 860,500	\$ 850,596
EXPENSES			
Component Unit Activities:			
Instruction	322,810	325,315	334,471
Pupil Personnel Services	1,200	1,100	-
Instructional Media Services	675	650	-
Instruction and Curriculum			
Development Services	265	300	322
Instructional Staff Training Services	6,000	6,000	6,600
Board	4,323	4,119	3,329
General Administration	5,000	8,000	-
School Administration	153,917	160,000	168,056
Facilities Acquisition and Construction	929	1,112	1,000
Fiscal Services	2,200	2,500	2,256
Food Services	35,000	40,300	38,991
Central Services	1,216	1,310	1,312
Pupil Transportation Services	43,418	41,500	40,834
Operation of Plant	150,000	150,000	141,176
Maintenance of Plant	6,320	6,590	6,510
Community Services	5,000	5,000	5,039
TOTAL EXPENDITURES	\$ 738,273	\$ 753,796	\$ 749,896

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 Maria Manzano at 14550 N.E. 6th Avenue, North Miami, FL 33161.

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

	<u>2006</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 69,603
Due from affiliated schools and others	<u>11,097</u>
	80,700
CAPITAL ASSETS	
Furniture, equipment and textbooks	18,652
Less accumulated depreciation	<u>(1,720)</u>
	16,932
DEPOSITS	<u>20,000</u>
TOTAL ASSETS	<u><u>\$ 117,632</u></u>
LIABILITIES AND NET ASSETS	
NET ASSETS	
Invested in capital assets, net of related debt	16,932
Unreserved	<u>100,700</u>
TOTAL NET ASSETS	<u>117,632</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 117,632</u></u>

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

SUNSHINE ACADEMY CHARTER SCHOOL (A Charter School Under Sunshine Academy, Inc.)
A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FROM JULY 1, 2005 (INCEPTION OF OPERATIONS) THROUGH JUNE 30, 2006

2006

FUNCTIONS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Component Unit Activities:					
Instruction	\$ (332,510)	\$ -	\$ 400	\$ -	\$ (332,110)
Pupil Personnel Services	-	-	-	-	-
Instructional Media Services	-	-	-	-	-
Instruction and Curriculum Development Services	(322)	-	-	-	(322)
Instructional Staff Training Services	(6,600)	-	-	-	(6,600)
Board	(475)	-	-	-	(475)
General Administration	-	-	-	-	-
School Administration	(164,484)	-	-	-	(164,484)
Facilities Acquisition and Construction	(65)	-	-	-	(65)
Fiscal Services	(2,256)	-	-	-	(2,256)
Food Services	(38,991)	-	-	-	(38,991)
Central Services	(1,312)	-	-	-	(1,312)
Pupil Transportation Services	(40,834)	-	-	-	(40,834)
Operation of Plant	(133,566)	-	-	-	(133,566)
Maintenance of Plant	(6,510)	-	-	-	(6,510)
Community Services	(5,039)	-	-	-	(5,039)
Interest on Long-term Debt	-	-	-	-	-
Unallocated Depreciation Expense	-	-	-	-	-
Total Component Unit Activities	(732,964)	-	400	-	(732,564)

GENERAL REVENUES:

Government grants not restricted to specific programs	849,798
Other revenue	398
Change in Net Assets	117,632
NET ASSETS - BEGINNING	-
NET ASSETS - ENDING	<u>\$ 117,632</u>

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

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

	2006			
	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash	\$ 69,603	\$ -	\$ -	\$ 69,603
Due from affiliated schools and others	11,097	-	-	11,097
Deposits	20,000	-	-	20,000
Due to / from funds	-	-	-	-
TOTAL ASSETS	\$ 100,700	\$ -	\$ -	\$ 100,700
FUND BALANCE				
Unreserved	\$ 100,700	\$ -	\$ -	\$ 100,700
TOTAL FUND BALANCE	100,700	-	-	100,700
TOTAL LIABILITIES AND FUND BALANCE	\$ 100,700	\$ -	\$ -	\$ 100,700

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

SUNSHINE ACADEMY CHARTER SCHOOL (A Charter School Under Sunshine 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
FROM JULY 1, 2005 (INCEPTION OF OPERATIONS) THROUGH JUNE 30, 2006

Total Fund Balance - Governmental Funds	\$ 100,700
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets of \$18,652, net of accumulated depreciation of \$1,720 used in governmental activities are not financial resources and therefore are not reported in the fund.	<u>16,932</u>
Total Net Assets - Governmental Activities	<u><u>\$ 117,632</u></u>

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

SUNSHINE ACADEMY CHARTER SCHOOL (A Charter School Under Sunshine 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
FROM JULY 1, 2006 (INCEPTION OF OPERATIONS) THROUGH JUNE 30, 2006

	2006			
	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Federal grants	\$ 287,659	\$ -	\$ -	\$ 287,659
Local Sources	562,139	-	-	562,139
Charges for services	-	-	-	-
Other revenues	798	-	-	798
Total Revenues	<u>\$ 850,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 850,596</u>
EXPENDITURES				
Current:				
Instruction	\$ 334,471	\$ -	\$ -	\$ 334,471
Pupil Personnel Services	-	-	-	-
Instructional Media Services	-	-	-	-
Instruction and Curriculum Development Services	322	-	-	322
Instructional Staff Training Services	6,600	-	-	6,600
Board	3,329	-	-	3,329
General Administration	-	-	-	-
School Administration	168,056	-	-	168,056
Facilities Acquisition and Construction	1,000	-	-	1,000
Fiscal Services	2,256	-	-	2,256
Food Services	38,991	-	-	38,991
Central Services	1,312	-	-	1,312
Pupil Transportation Services	40,834	-	-	40,834
Operation of Plant	122,524	-	-	122,524
Maintenance of Plant	6,510	-	-	6,510
Community services	5,039	-	-	5,039
Capital Outlay:				
Other Capital Outlay	18,652	-	-	18,652
Debt Service:				
Redemption of Principal Interest	-	-	-	-
Total Expenditures	<u>749,896</u>	<u>-</u>	<u>-</u>	<u>749,896</u>
Excess (Deficiency) of Revenues Over Expenditures	100,700	-	-	100,700
OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	100,700	-	-	100,700
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 100,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,700</u>

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

SUNSHINE ACADEMY CHARTER SCHOOL (A Charter School Under Sunshine 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
FROM JULY 1, 2005 (INCEPTION OF OPERATIONS) THROUGH JUNE 30, 2006

Change in Fund Balance - Governmental Funds \$ 100,700

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 \$18,652 exceed depreciation expense of \$1,720 in the current period.

16,932

Change in Net Assets of Governmental Activities \$ 117,632

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

SUNSHINE ACADEMY CHARTER SCHOOL (A Charter School Under Sunshine Academy, Inc.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – ORGANIZATION AND OPERATIONS

Sunshine Academy Charter School (A Charter School Under Sunshine Academy, Inc.) (the "School"), is a not-for-profit charter school located in North Miami, Florida for children from kindergarten through the 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 2015. 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. Sunshine Academy Charter School is funded by the Miami-Dade County Public School District and in addition, receives government grants.

These financial statements are for first school period from July 1, 2005 (inception of operations) through June 30, 2006, when 120 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.

SUNSHINE ACADEMY CHARTER SCHOOL (A Charter School Under Sunshine Academy, Inc.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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 of prepaid expenses or deposits, 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.

SUNSHINE ACADEMY CHARTER SCHOOL (A Charter School Under Sunshine 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
Furniture, Equipment and Textbooks
Computer Software
Audiovisual Materials

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

Compensated Absences

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. There were no significant amounts due for compensated absences as of June 30, 2006.

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 transact with other charter schools or other affiliated entities. These financial statements report the financial condition and operations of the charter school only and not of the other entities. See notes in these financial statements as to transactions with other schools and related parties.

SUNSHINE ACADEMY CHARTER SCHOOL (A Charter School Under Sunshine Academy, Inc.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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 – 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:

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/06</u>
Capital Assets				
Furniture, Equipment and Textbooks	\$ -	\$ 18,652	\$ -	\$ 18,652
Total Capital Assets	<u>-</u>	<u>18,652</u>	<u>-</u>	<u>18,652</u>
Less Accumulated Depreciation				
Furniture, Equipment and Textbooks	-	(1,720)	-	(1,720)
Total Accumulated Depreciation	<u>-</u>	<u>(1,720)</u>	<u>-</u>	<u>(1,720)</u>
Capital Assets, net	<u>\$ -</u>	<u>\$ 16,932</u>	<u>\$ -</u>	<u>\$ 16,932</u>

Depreciation expense for the year ended June 30, 2006 was \$1,720 and is allocated to various functions in the Statement of Activities.

NOTE 5 – COMMITMENTS UNDER OPERATING LEASES AND CONTRACTS

The School entered into 36 month lease agreement on July 1, 2005 for its campus. Annual total payments are \$120,000 for the first year, and increasing to \$134,000 and \$146,000 for the second and third year respectively. These amounts include an increase of \$2,000 in the security deposit per year.

Total rental payments for the year ended June 30, 2006 were approximately \$115,000

Future minimum payments under the operating leases are as follows:

<u>Fiscal Years</u>	
2007	\$ 134,000
2008	\$ 146,000

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 6 – 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 \$69,603 and the respective bank balances totaled \$76,834. All amounts were covered by the Federal Depository Insurance Corporation (FDIC).

NOTE 7 – TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

During the year, the School advanced \$10,000 to an affiliated School in Broward County. This amount has been recorded as a receivable at June 30, 2006. In addition, certain related parties made loans totalling approximately \$60,000 to the school. These loans were paid within the school year. Finally, the husband of the school principal has signature in the school's bank account.

NOTE 8 – GRANTS

In the normal course of operations, the School may receive 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

SUNSHINE ACADEMY CHARTER SCHOOL (A Charter School Under Sunshine 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
FROM JULY 1, 2005 (INCEPTION OF OPERATIONS) THROUGH JUNE 30, 2006

	Governmental Funds		
	Original Budget	Final Budget	Actual
REVENUES			
Federal Direct			
Federal Grants	\$300,000	\$300,000	\$287,659
General Revenues			
State Government Grants Not Restricted to Specific Programs	550,000	560,000	562,539
Other	1,000	500	398
TOTAL REVENUES	<u>\$851,000</u>	<u>\$860,500</u>	<u>\$850,596</u>
EXPENDITURES			
Component Unit Activities:			
Instruction	\$322,810	\$325,315	\$334,471
Pupil Personnel Services	1,200	1,100	-
Instructional Media Services	675	650	-
Instruction and Curriculum Development Services	265	300	322
Instruction Staff Training Services	6,000	6,000	6,600
Board	4,323	4,119	3,329
General Administration	5,000	8,000	-
School Administration	153,917	160,000	168,056
Facilitation Acquisition and Construction	929	1,112	1,000
Fiscal Services	2,200	2,500	2,256
Food Services	35,000	40,300	38,991
Central Services	1,216	1,310	1,312
Pupil Transportation Services	43,418	41,500	40,834
Operation of Plant	150,000	150,000	141,176
Maintenance of Plant	6,320	6,590	6,510
Community Services	5,000	5,000	5,039
TOTAL EXPENDITURES	<u>\$738,273</u>	<u>\$753,796</u>	<u>\$749,896</u>

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

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
Sunshine Academy Charter School
(A Charter School Under Sunshine Academy, Inc.)
North Miami, Florida

We have audited the financial statements of Sunshine Academy Charter School (A Charter School Under Sunshine Academy, Inc.) as of, and from July 1, 2005 (inception of operations) through June 30, 2006 and have issued our report thereon dated September 8, 2006. 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 audit, we considered Sunshine Academy Charter School'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 reportable 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 Sunshine Academy Charter School in a separate management letter which is included in this reporting package.

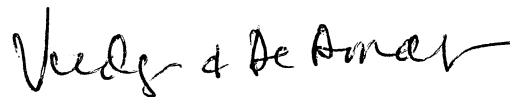
Compliance and Other Matters

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

CERTIFIED PUBLIC ACCOUNTANTS

A LIMITED LIABILITY PARTNERSHIP OF PROFESSIONAL ASSOCIATIONS

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which may be a matter of public record.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 8, 2006

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

MANAGEMENT LETTER

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

Board of Directors of
Sunshine Academy Charter School
North Miami, Florida

This letter is written in connection with our audit of the basic financial statements of Sunshine Academy Charter School (the "School") 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. There were no prior year findings as this was the first year of operations.
3. The following are recommendations to improve the School's financial management, accounting procedures and internal controls:

ACCOUNTING RECORDS

Observation

Accounting records were not prepared timely throughout the year.

Recommendation

Account records must be updated monthly. This will assist management in better monitoring the progress of the school, and take corrective action, if needed on a timely basis.

Response

In an effort to minimize costs during our first school year of operations, management decided to take on the responsibility of maintaining the accounting records instead of contracting a private accountant or bookkeeper. Due to the operational demands of a first year school, the accounting work fell behind and was not completed timely on some occasions. For the new school year, we have contracted with an accountant to perform this function on a monthly basis so that the accounting records are properly and timely maintained throughout the new year.

SEGREGATION OF DUTIES

Observation

Due to the limited number of personnel, certain duties are performed by one individual, such as signing checks, approving 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.

Response

Given the school's limited resources, we will try to implement mitigating internal controls to make up for the lack of segregation of duties in some areas. These measures will include having an external accountant reconcile the bank account, enter transactions and maintain the general ledger, as well as prepare financial reports. Additional office staff may be hired, as the budget permits, to allow better segregate basic accounting related functions (i.e. purchasing, payables, etc.)

PERSONNEL FILES

Observation

The personnel files of the school were not up to date and were missing required information, such as:

- a) background screening
- b) evidence of communicable diseases check
- c) certificates such as CPR, First Aid and others
- d) employment agreements signed by both, the employer and employee

Recommendation

The school should update the personnel files and include all required information.

Response

Management will review all personnel files, develop checklists for required documentation, update all required information and perform period reviews of employee's personnel records to ensure information is complete and current for all employees.

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.

Vcedy - & De Armas

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 8, 2006

SUNSHINE ACADEMY CHARTER SCHOOL

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.
- N/A 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).
- 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.
- _____ 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).
- N/A 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.
- N/A 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 & 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.