

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DUVAL COUNTY DISTRICT SCHOOL BOARD

GENERAL-PURPOSE FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
FOR YEAR ENDED JUNE 30, 2008

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DUVAL COUNTY DISTRICT SCHOOL BOARD

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INDEPENDENT AUDITORS' REPORT

Board of Directors
S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.
A Charter School and Component Unit of the Duval
County District School Board
6974 Wilson Boulevard
Jacksonville, Florida 32210

We have audited the accompanying financial statements of the governmental activities and each major fund of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc., a component unit of the Duval County District School Board, (a nonprofit organization) as of and for the year ended June 30, 2008, which collectively comprise S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.'s basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc., as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States.

Member of AICPA and FICPA
Partners

Nicholas T. Simonics • Sean M. Simonics • Joanne F. Ratnecht • Herman A. Vidal

Effective July 1, 2001, S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc. adopted GASB statement No. 34, *Basic Financial Statements – and Management’s discussion and analysis – for State and Local Governments*, GASB Statement No. 37, *Basic financial statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB No. 38, *Certain Financial statements Note Disclosures*.

The Management’s Discussion and Analysis required supplementary information as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 2008, on our consideration of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Simonie, Simonie, Ratnecht & Associates, Inc.

Simonie, Simonie, Ratnecht & Associates, Inc.

Jacksonville, Florida

September 18, 2008

Member of AICPA and FICPA
Partners

Nicholas T. Simonie . Sean M. Simonie . Joanne F. Ratnecht . Herman A. Vidal

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

Our discussion and analysis of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.'s (The School) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The financial statements consist of two parts: Management's Discussion and Analysis and the Basic Financial Statements. The Basic Financial Statements also include notes that explain, in more detail, some of the information in the Basic Financial Statements.

The Basic Financial Statements consist of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the School as a whole and present a longer-term view of the School's finances. Fund Financial Statements provide information regarding the financing of services in the short term and what remains for future spending. Fund Financial Statements also report the School's operations in more detail than the Government-wide Financial Statements by providing information about the School's most significant funds

Overall revenues increased by approximately \$94,000 for the year ended June 30, 2008, due to the fact that additional funding was provided to the School by the State and due to increase in revenues from local sources. In 2007-2008 fiscal year Middle School was eligible for more funding for improvement of students' FCAT exam grades; therefore, SOS Academy was eligible for more federal and state funding.

Overall expenditures increased by approximately \$85,000 for the year ended June 30, 2008. Due to the anticipated increase in federal, state and local funding the school increased its overall expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the School as a whole.

Government-wide Financial Statements

The School's annual report includes two Government-wide Financial Statements. These statements provide both long-term and short-term information about the School's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities. Statements in this category are as follows:

Statement of Net Assets:

This is the School-wide statement of position presenting information that includes all of the School's assets and liabilities, with the difference reported as net assets.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

USING THIS ANNUAL REPORT – Continued

Statement of Net Assets – Continue:

Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School as a whole is improving or deteriorating. Evaluation of the overall health of the School would extend to other non-financial factors such as diversification of the school.

Statement of Activities:

The second Government-wide Financial Statement is the Statement of Activities, which reports how the School's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the School's distinct activities or functions on revenues provided by the Florida Department of Education through the Duval County School Board.

Both Government-wide Financial Statements distinguish general activities of the School that are principally supported by the Department of Education revenues, such as grants from local sources activities that are intended to cover other budgetary shortfalls. Governmental activities include general government, special revenue and capital outlay.

The School's financial reporting includes the funds of the School's general fund. The School is blended into the Duval County School Board for financial reporting purposes as a component unit.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The School uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the School's most significant funds rather than the School as a whole. State Law requires some funds and others are established by the School to control and manage money for a particular purpose.

THE SCHOOL'S FUNDS

Government Fund Type

Most of the School's basic services are reported in governmental funds that focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's general government operations and the basic services it provides.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

THE SCHOOL'S FUNDS – Continued

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. We describe the differences between governmental activities (reported in the Statement of Activities and the Statement of Net Assets) and governmental funds in reconciliation at the bottom of the Fund Financial Statements.

Special revenue funds are used to account for the financial resources of the internal school funds such as the food service program, student services account and certain federal grant program resources.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the Government-wide and Fund Financial Statements. The notes to the financial statements are an integral part of the School's financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's fund receivables, payables and payments within the reporting entity.

Major funds and component units are reported in the basic financial statements as discussed.

CHANGE IN NET ASSETS

Change in net assets summarizes the change in financial condition during a period. Following is a summary of net assets:

	<u>Governmental Activities</u>
Current assets	\$ 9,055
Capital assets, net of accumulated depreciation	<u>1,580,931</u>
Total assets	<u>\$ 1,589,986</u>
Total liabilities	\$ 117,155
Invested in capital assets	1,566,127
Unrestricted net assets	<u>(93,296)</u>
Total net assets	<u>\$ 1,472,831</u>
Total liabilities and net assets	<u>\$ 1,589,986</u>

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

CHANGES IN NET ASSETS – Continued:

	Governmental Activities
Other Governmental Revenues	\$ 61,789
Federal	1,786,097
State	35,714
Local Sources	104,921
 Total Revenue	 1,988,521
 Operating Expenses	 2,032,411
Capital Outlay	63,955
Obligation Under Capital Lease	(4,858)
 Total Expenses	 2,091,508
 Change in net assets	 (102,987)
 Net assets at the beginning of the year	 1,575,818
 Net assets at the end of the year	 \$ 1,472,831

Net assets of the School's governmental activities decreased to \$1,472,831 from the prior year. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

The total ending net assets of governmental activities shows a decrease of \$102,987 from the prior year. This decrease is a result of higher costs of food and transportation SOS Academy incurred during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant variances from budget to actual are described as follows:

Budget / Actual – General Fund

State sources budget of \$1,722,629 is lower than the actual because the School budget did not take into account administrative fees paid to the Duval County School Board. Amount of fees paid to the School Board in 2007-2008 fiscal year was \$63,468 higher than budget which corresponds to the variance between budget to actual amounts.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

GENERAL FUND BUDGETARY HIGHLIGHTS – Continued:

Budget / Actual – General Fund

Other revenue budget of \$25,000 was lower than actual due to the fact that SOS Academy didn't budget contributions of approximately \$70,000 from M.A.D. D.A.D.S. nonprofit organization. The agreement with M.A.D. D.A.D.S. was signed in March of 2008 and the first contribution was received in May 2008. M.A.D. D.A.D.S. contributions were made to involve students and staff of SOS Academy in community service activities during the year.

Budget / Actual – General Fund

The expenditure for the Instructional Media Services budget of \$135,697 is higher than actual because funds were actually designated and expended for staff training recorded in Instructional Staff Training Services. Instructional Staff Training Services were under budgeted by \$49,091 while Instructional Media Services were over budgeted by \$42,527.

Budget / Actual – General Fund

The expenditure for the School administration budget of \$202,376 is lower than actual due to under-projection of the costs associated with School District service fees.

Budget / Actual – General Fund

The expenditure for the School maintenance of plant budget of \$96,506 is lower than actual due to the unexpected repairs, maintenance and renovations required to keep the school building operational and the increase in utilities and insurance costs.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

The financial report is designed to provide the citizens, taxpayers, customers, and investors with a general overview of the School's finances and to show the School's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Board of Directors, S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc., 6974 Wilson Boulevard, Jacksonville Florida or telephone 904-573-0880.

CAPITAL ASSETS

The School's investment in capital assets, net of accumulated depreciation, for the general fund at June 30, 2008, was \$1,580,931. The total decrease from the prior year in this net investment was 3.89%. Major capital asset events during the current fiscal year included retirement of furniture and equipment, and computer hardware and software that were not longer used in operations.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

CAPITAL ASSETS – Continued:

The following schedule represents changes in fixed assets for the period ending June 30, 2008:

	Net Book Assets at 6/30/2007	Additions	Disposals	Current Accumulated Depreciation	Net Book Assets at 6/30/2008
Land improvements	\$ 94,000	\$	\$	\$ 2,500	\$ 91,500
Buildings and improvements	1,294,967			62,166	1,232,801
Furniture and equipment	128,268	820	3,149	33,479	92,460
Capital lease	18,786			5,124	13,662
Computer software	25,964			13,231	12,733
Improvements other than building	80,451	61,181		5,957	135,675
Building improvements	2,450			350	2,100
Total capital assets	<u>\$ 1,644,886</u>	<u>\$ 62,001</u>	<u>\$ 3,149</u>	<u>\$ 122,807</u>	<u>\$ 1,580,931</u>

S.O.C.K.. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Total</u>
	Middle School	Middle School	Governmental Funds
ASSETS			
Cash	\$ 1,944	\$ 270	\$ 2,214
Due from agency	6,841	0	6,841
Capital assets, net of accumulated depreciation	<u>1,580,931</u>	<u>0</u>	<u>1,580,931</u>
Total Assets	<u>\$ 1,589,716</u>	<u>\$ 270</u>	<u>\$ 1,589,986</u>
LIABILITIES			
Accounts payable	\$ 27,710	\$ 29,641	\$ 57,351
Obligations under capital lease	14,804	0	14,804
Line of credit	<u>0</u>	<u>45,000</u>	<u>45,000</u>
Total Liabilities	<u>\$ 42,514</u>	<u>\$ 74,641</u>	<u>\$ 117,155</u>
Total Assets Less Liabilities	<u>\$ 1,547,202</u>	<u>\$ (74,371)</u>	<u>\$ 1,472,831</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,566,127	\$ -	\$ 1,566,127
Unrestricted net assets (deficit)	<u>(18,925)</u>	<u>(74,371)</u>	<u>(93,296)</u>
Total Net Assets	<u>\$ 1,547,202</u>	<u>\$ (74,371)</u>	<u>\$ 1,472,831</u>

See independent auditors' report and accompanying notes to financial statements.

S.O.C.K. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT SCHOOL BOARD

MIDDLE SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

FUNCTIONS	Expenses	Program Revenues		Net Expense
		Charges for Services	Operating Grants and Contributions	Revenue & Changes in Net Assets
			Capital Grants and Contributions	Component Unit Activities
Component Unit Activities:				
Instruction	\$ 748,106			\$ 748,106
Pupil personnel services	71,388			71,388
Instructional media services	95,626			95,626
Instruction and curriculum development	83,160			83,160
Instruction and staff training	75,401			75,401
Board	2,396			2,396
School administration	259,611			259,611
Fiscal services	75,679			75,679
Food services	121,046		97,503	23,543
Pupil transportation services	151,404		80,889	70,515
Operation of plant	182,264			182,264
Maintenance of plant	188,517			188,517
Community service	36,295			36,295
Interest on long-term debt	615			615
Total Component Units	\$ 2,091,508		\$ 178,392	\$ 1,913,116
General Revenues:				
				\$ 1,810,129
Grants and Contributions Not Restricted to Specific Programs				1,810,129
Total General Revenues				(102,987)
Change in Net Assets				1,575,818
Net Assets - July 1, 2007				1,472,831
Net Assets - June 30, 2008				<u>\$ 1,472,831</u>

See independent auditors' report and accompanying notes to financial statements.

S.O.C.K. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT SCHOOL BOARD

BALANCE SHEET - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Special Revenue	Total
	Middle	Middle	Governmental
ASSETS	School	School	Funds
Cash	\$ 1,944	\$ 270	\$ 2,214
Due from agency	6,841		6,841
Total Assets	\$ 8,785	\$ 270	\$ 9,055
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 27,710	\$ 29,641	\$ 57,351
Notes payable	0	45,000	45,000
Total Liabilities	\$ 27,710	\$ 74,641	\$ 102,351
Fund Balance:			
Unreserved	\$ (18,925)	\$ (74,371)	\$ (93,296)
Total Fund Balance (Deficit)	(18,925)	(74,371)	
Total Liabilities and Fund Balance	\$ 8,785	\$ 270	
Amounts reported for governmental activities in the statement of net assets are different because:			
Fixed assets used in governmental activities are not expenditures and therefore, are not reported in the funds.			\$ 1,580,931
Obligations under capital leases used in governmental activities are not financial resources and, therefore, are not reported in the funds.			(14,804)
Net Assets of Governmental Activities			\$ 1,472,831

See independent auditors' report and accompanying notes to financial statements.

S.O.C.K. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT SCHOOL BOARD

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Total</u>
	<u>Middle</u>	<u>Middle</u>	<u>Governmental</u>
REVENUES	<u>School</u>	<u>School</u>	<u>Funds</u>
Federal through state revenue	\$	\$ 61,789	\$ 61,789
State sources	1,786,097	0	1,786,097
Local sources	<u>104,921</u>	<u>35,714</u>	<u>140,635</u>
 Total revenue	 \$ 1,891,018	 \$ 97,503	 \$ 1,988,521
 EXPENDITURES			
Education:			
Instructional	\$ 662,141	\$ 0	\$ 662,141
Pupil personnel services	67,704	0	67,704
Instructional media services	93,170	0	93,170
Instructional and curriculum development	100,816	0	100,816
Instructional and staff training	87,171	0	87,171
Board	2,396	0	2,396
School administration	255,927	0	255,927
Fiscal services	73,224	0	73,224
Food services	0	114,905	114,905
Pupil transportation	163,174	0	163,174
Operation of plant	163,842	0	163,842
Maintenance of plant	206,173	0	206,173
Community Service	36,295	0	36,295
Debt service:			
Principal	4,858	0	4,858
Interest and fiscal charges	<u>615</u>	<u>0</u>	<u>615</u>
 Total Expenditures	 \$ <u>1,917,506</u>	 \$ <u>114,905</u>	 \$ <u>2,032,411</u>
 Excess (deficiency) of revenues over expenditures	 (26,488)	 (17,402)	 (43,890)
Fund balances (deficits), beginning of year	<u>7,563</u>	<u>(56,969)</u>	<u>(49,406)</u>
 Fund balances (deficits), end of year	 <u><u>\$ (18,925)</u></u>	 <u><u>\$ (74,371)</u></u>	 <u><u>\$ (93,296)</u></u>

See independent auditors' report and accompanying notes to financial statements.

S.O.C.K. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Excess of revenues over expenditures	\$ (43,890)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlays.	(63,955)
Obligations under capital leases used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>4,858</u>
Change in Net Assets of Governmental Activities	<u>\$ (102,987)</u>

See independent auditors' report and accompanying notes to financial statements.

S.O.C.K. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES				
Federal through state revenue	\$ -	\$ -	\$ -	\$ -
State sources	1,729,607	1,722,629	1,786,097	63,468
Local sources	30,000	25,000	104,921	79,921
Other revenue				
Total revenue	\$ 1,759,607	\$ 1,747,629	\$ 1,891,018	\$ 143,389
EXPENDITURES				
Education:				
Instructional	\$ 591,480	\$ 645,388	\$ 662,141	\$ (16,753)
Pupil personnel services	61,000	67,578	67,704	(126)
Instructional media services	84,817	135,697	93,170	42,527
Instructional and curriculum development	95,266	100,988	100,816	172
Instructional staff training services	1,500	38,080	87,171	(49,091)
Board			2,396	(2,396)
School administration	321,243	202,376	255,927	(53,551)
Fiscal services	75,589	102,471	73,223	29,248
Pupil transportation	174,750	171,000	163,174	7,826
Operation of plant	103,416	149,655	163,843	(14,188)
Maintenance of plant	215,337	96,506	206,173	(109,667)
Community services		5,909	36,295	(30,386)
Debt service:				
Principal	0	0	4,858	(4,858)
Interest and fiscal charges	4,485	4,500	615	3,885
Total Expenditures	\$ 1,728,883	\$ 1,720,148	\$ 1,917,506	\$ (197,358)
Excess of revenues over (under) expenditures	30,724	27,481	(26,488)	<u>\$ (53,969)</u>
Fund balances (deficits), beginning of year	(78,576)	(71,590)	7,563	
Fund balances (deficits), end of year	\$ (47,852)	\$ (44,109)	\$ (18,925)	

See independent auditors' report and accompanying notes to financial statements.

S.O.C.K. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL- SPECIAL
REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES				
Federal through state revenue	\$ 47,350	\$ 61,789	\$ 61,789	\$ -
Local sources	32,000	35,714	35,714	
Total revenue	\$ 79,350	\$ 97,503	\$ 97,503	\$ -
EXPENDITURES				
Education:				
Food services	\$ 110,075	\$ 124,984	\$ 114,905	\$ 10,079
Total Expenditures	\$ 110,075	\$ 124,984	\$ 114,905	\$ 10,079
Excess of revenues over (under) expenditures	(30,725)	(27,481)	(17,402)	<u>\$ 10,079</u>
Fund balances (deficits), beginning of year	0	0	(56,969)	
Fund balances (deficits), end of year	\$ (30,725)	\$ (27,481)	\$ (74,371)	

See independent auditors' report and accompanying notes to financial statements.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc., (the “School”) is a nonprofit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1022.33, Florida Statutes. The Internal Revenue Service notified the School in October of 1998 that it was a nonprofit educational organization under IRC 501(c)(3). The School was incorporated on June 17, 1997, as an educational organization.

The general operating authority of the School is contained in Section 1022.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Duval County District School Board (the District). The current charter for the Middle School is effective until June 30, 2012 and may be renewed in increments of one to five years by mutual agreement between the School and the District. At the end of the term in the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. 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 the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School’s general-purpose financial statements are identified and described in the Governmental Accounting Standards Board’s (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100 and 2600. The application of these criteria provide for identification of any entities to which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School’s general-purpose financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Basis of Presentation

Fund Accounting – In order to ensure observance of limitations and restrictions placed on the use of these resources available to the School, the financial records and accounts of the school are maintained in accordance with the principles of “fund accounting”. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds and account groups that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in some of the accompanying financial statements, funds that have similar characteristics have been combined into fund types. Accordingly, all financial transactions have been recorded and reported by fund type and account group. The fund type and account group used are classified as follows:

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT SCHOOL
BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued:

GOVERNMENTAL FUND TYPES

General Fund - to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – to account for all financial resources relating to food services.

Basis of Accounting

The Government-wide Financial Statements (i.e., the statement of Net Assets and the Statement of Activities) report information on all of the activities of the School. For the most part, the effect of inter-fund activity has been eliminated.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues consist of charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. The revenues of the School are classified as general revenues as they are not restricted to any particular function, but are instead applied to the general operations of the School.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board. The Government-wide Financial Statements are reported 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 the related cash flows. Inter-governmental revenue is recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. For this purpose, the School considers revenues available if they are collected within 60 days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued:

Budgetary Basis of 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).

Federal Income Taxes

The School is a nonprofit organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

Fixed Assets and Depreciation

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of two years. Such assets are capitalized (recorded) at historical cost. Donated assets are recorded at fair market value at the date of the donation. Property and equipment are depreciated using the straight-line method over the useful lives of the respective assets.

Net Asset and Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change and are not reported on the face of the fund financial statements.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued:

Revenue Sources

Revenues for current operations are received primarily from the Duval 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 (17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent 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.

The School received federal awards for the enhancement of various education programs. This assistance is 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.

The School received revenue from Federal, State and Local sources for the following purposes: Safe Schools, School improvements, instructional materials, student transportation, class size reduction, technology improvement, teacher training and capital outlay.

It is the School's policy to use restricted resources first when an expense is incurred for the purposes for which both restricted and unrestricted assets are available.

2. CASH

The total carrying amount of the School's bank balances per bank statements was \$3,055.73 at June 30, 2008. Deposits are placed in banks that qualify as public depositories pursuant to the provisions of Chapter 280, Florida Statutes, of the Florida Security for Public Deposits Act. Financial institutions qualifying as public depositories are required by this law to deposit with State Treasurer eligible collateral equal to or in excess of the required collateral for the depository. The State Treasurer, by rule, shall establish minimum required collateral pledging level. Each qualified public depository shall calculate the amount of its required collateral based upon certain formulas. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

2. CASH – Continued:

All losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

For purposes of these financial statements, cash and cash equivalents are considered cash in the bank, demand deposits and short-term investments with maturities of less than three months.

The School’s cash consists of demand deposits with financial institutions, which are insured by federal depository insurance. As of June 30, 2008, all of the School’s balances were insured by FDIC.

3. CHANGES IN FIXED ASSETS:

At June 30, 2008, the cost and related current accumulated depreciation of general fixed assets consisted of the following:

	Net Book Assets at 6/30/2007	Additions	Disposals	Current Accumulated Depreciation	Net Book Assets at 6/30/2008
Land improvements	\$ 94,000	\$	\$	\$ 2,500	\$ 91,500
Buildings and improvements	1,294,967			62,166	1,232,801
Furniture and equipment	128,268	820	3,149	33,479	92,460
Capital lease	18,786			5,124	13,662
Computer software	25,964			13,231	12,733
Improvements other than Building	80,451	61,181		5,957	135,675
Building improvements	2,450			350	2,100
Total capital assets	<u>\$ 1,644,886</u>	<u>\$ 62,001</u>	<u>\$ 3,149</u>	<u>\$ 122,807</u>	<u>\$ 1,580,931</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	<u>Amount</u>
Basic instruction	\$ 85,965
Pupil personnel services	3,684
Instructional media services	2,456
School administration	3,684
Fiscal services	2,456
Food services	6,141
Operations of plant	<u>18,421</u>
Total governmental activities depreciation expense	<u>\$ 122,807</u>

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

4. LINE OF CREDIT:

The School has a revolving line of credit from SunTrust Bank to fund special revenues fund related to student lunch costs not covered by federal and state revenues. The revolving credit was not used by the School during the year. As of June 30, 2008, there were borrowings outstanding in the amount of \$45,000 with interest only payments due monthly. Variable interest rate was averaging 7.00% throughout 2007-2008 School Year. The balance is due upon demand.

5. PROPERTY UNDER CAPITAL LEASE:

The class and amount of property acquired under capital lease is as follows:

	Asset Balance
Copier lease with interest rate of 7.23%, secured by equipment With interest and principal payments of \$510.00 maturing in February 2011	14,804
Total	\$ 14,804

Future installments and present value of the payments as of June 30, 2008, follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	5,221	899	6,120
2010	5,611	509	6,120
2011	3,972	108	4,080
Thereafter	0		
Total Obligation under Capital Lease	\$ 14,804	\$ 1,516	\$ 16,320

6. BANK ACCOUNTS:

The School maintains a separate bank account for the charter school programs as required by the Duval County District School Board contract.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

7. CHANGES IN GENERAL LONG-TERM DEBT:

The following is a summary of changes in general long-term debt:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Principal Payments and Refinancing Charges</u>	<u>Balance June 30, 2008</u>
Copier note payable	19,662		4,858	14,804
Total	<u>\$ 19,662</u>		<u>\$ 4,858</u>	<u>\$ 14,804</u>

8. OPERATING LEASES:

Minimum lease payments required as of June 30, 2008

School facilities lease with original term of 60 months and 36 remaining monthly payments of \$2,008.38 per month and maturing July 31, 2011.	\$ 72,302
Equipment leases with original term of 60 months secured by the equipment with 15 remaining monthly payments of \$610.64, maturing September 1, 2010.	<u>9,159</u>
Total amount of minimum payments over the life of leases	<u><u>\$ 81,461</u></u>

The following is a schedule by years of future minimum rental payments required under leases that have initial or remaining non-cancelable lease term in excess of one year as of June 30, 2008.

Operating lease minimum payments schedule	<u>Operating Leases</u>
2009	31,428
2010	25,932
2011	24,101
Thereafter	<u>0</u>
Total minimum payments	<u><u>\$ 81,461</u></u>

The following are the rental expenses for the year:

Rent of facilities	24,100
Equipment rent	7,328
Storage rent (month to month basis)	<u>3,644</u>
Total Rent Expense	<u><u>\$ 35,072</u></u>

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.
A Charter School and Component Unit of The Duval
County District School Board
6974 Wilson Boulevard
Jacksonville, Florida 32210

We have audited the financial statements of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc., a Charter School and Component Unit of The Duval County District School Board (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated September 18, 2008. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to 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 misstatement 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 material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

This report is intended solely for the information and use of the audit committee, management, and specific legislative or regulatory bodies and is not intended to be and should not be, used by anyone other than these specified parties.

Simonic, Simonic, Ratnecht & Associates, Inc.

Simonic, Simonic, Ratnecht & Associates, Inc.

Jacksonville, Florida

September 18, 2008



Simonics, Simonics, Ratnecht & Associates, Inc.
Certified Public Accountants
8750 Perimeter Park Boulevard Jacksonville, FL 32216-6347
Phone: 904-928-1040 Fax: 904-928-0909
www.simonics.net

September 18, 2008

Board of Directors
S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.
A Charter School and Component Unit of the Duval
County District School Board
6974 Wilson Boulevard
Jacksonville, Florida 32210

In planning and performing our audit of the financial statements of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc. for the year ended June 30, 2008, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect SOS Academy's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following issues related to internal controls were noted:

- 1) SOS Academy has a deficit balance in the net assets of the Governmental Funds in the amount of \$93,296. The deficit increased by approximately \$50,000 in 2007-2008 School year, it is considered to be a financial emergency by the State of Florida and needs to be promptly addressed by the School's management.

Recommendation:

SOS Academy's management should review expenses that are under-budgeted and make appropriate adjustments, insuring that there are funds available to cover actual expenses made. The School should consider seeking additional funding from the Federal and State Governments, perform fundraising activities in the community and reduce under budgeted expenses in order to decrease and eventually eliminate the outstanding deficit balance in the Governmental Funds.

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- 2) During our audit, we noted that when the petty cash account was reimbursed, the reimbursement check was made out to “cash.” Additionally some of the checks issued for repairs and maintenance were made to “cash” as well. This is an undesirable practice because checks made out to cash may be cashed by unauthorized persons, and the bank cannot be held liable for cashing them.

Recommendation:

We recommend that checks written to reimburse the petty cash account and checks written for repairs and maintenance be made payable to the person or organization authorized to cash such checks. The SOS Academy’s management should review reimbursement checks making sure that corresponding expenses are properly authorized and checks issued to legitimate parties. The auditor didn’t discover any abuses related to these checks but deems that future practice of issuing them should be stopped.

- 3) The SOS Academy should perform a physical inventory of property and equipment. In connection with this inventory, tags should be placed on each asset with numbers that are recorded in the detail property records. This will help improve the tracking of assets for disposal and impairment purposes.

Recommendation:

SOS Academy should place tags on all fixed assets and during next fixed assets inventory and match them to fixed asset schedule in order to improve timely reporting of fixed assets additions and disposals.

- 4) We noted that the SOS Academy didn’t update the employee handbook and that some employees were not familiar with some basic School personnel policies and procedures. We recommend that an employee handbook be updated, distributed to employees in either hard-copy form or electronically, and periodically updated as necessary. (Updating and distribution may be more efficiently accomplished if the manual is in electronic form.) A comprehensive and up-to-date employee handbook can help communicate, and encourage adherence to, School policies; prevent possible confusion, inconsistent treatment, or misunderstandings among personnel; and provide a measure of liability protection to the School in case of employee legal challenges of School actions. Some topics that should be covered in an employee handbook include the following:

- The School’s mission, core business and ethical values, and organization.
- Equal employment opportunity, antidiscrimination and reasonable disability accommodation policies.
- Business hours, work schedules, overtime policies, and time keeping procedures.
- Employee classifications, salary and overtime rates, and pay dates.

- Holiday, vacation, disability and sick leave, personal time off, and other attendance and absences policies.
- Training programs, performance reviews, and promotion policies.
- Travel and expense reimbursement.
- Employee benefits programs, including pension, retirement, medical, disability, insurance, and other plans.
- Employee conduct, including policies on outside employment, conflict of interests, nepotism, appropriate use of School's assets, harassment, substance abuse, disciplinary actions, etc.
- Procedures for making and resolving complaints and reporting harassment, suspected fraud, or violations of School's policies.
- Policy on appropriate use, and School's monitoring of, computers, software, and Internet resources.
- Employment separation and termination procedures.

Recommendation:

We recommend that the SOS Academy have its legal counsel review a draft of the handbook before it is distributed to employees. We also recommend that the School introduce the handbook at meetings with employees that include discussion and question and answer periods. Finally, we believe that employees should be required to sign an acknowledgment that they have received and read the handbook

Prior period management letter comments were addressed by the School management and auditors were satisfied with the progress made by the school related to prior year comments except for the comment number one. SOS Academy continues to have a deficit in the amount of \$93,296 which increased by \$50,731 during 2007-2008 school year. The auditors have no other comments related to prior year's management comments.

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 errors 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. None of the above issues are deemed material weaknesses.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily

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disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above are believed to be a material weakness.

Following disclosure is made pursuant to the Chapter 218.39 and Audit General Rules Chapter 10.804(1)(d) and Chapter 10.854(1)(e). In connection with our audit, we determined that SOS Academy did not meet one or more of the conditions described in Section 218.503(1), Florida Statutes. Although the SOS Academy reported deficit unrestricted net assets of \$93,296 as of June 30, 2008, the SOS Academy had unrestricted capital assets available to cover the reported deficit and the disposal of such assets would not impair the SOS Academy's ability to carry on its functions. All Schools financial policies and procedures appear to be in compliance with State and Federal rules and regulations. The School has made satisfactory corrections of prior years internal controls issues that were stated in the management letter and the prior period audit report.

With respect to the Chapter 218.415 of the Florida statutes the auditor found that the School's finances and investment policies were in agreement with the statutory requirements. As of June 30, 2008, the School had no investments.

This report is intended solely for the information and use of Board of Directors, management, and others as required by State and Federal Laws and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Simonie, Simonie, Ratnecht & Associates, Inc.

Simonie, Simonie, Ratnecht and Associates, Inc.

Jacksonville, Florida

September 18, 2008

Member of AICPA and FICPA
Partners

Nicholas T. Simonie • Sean M. Simonie • Joanne F. Ratnecht • Herman A. Vidal

Charter School



SCHOOL OF SUCCESS ACADEMY

Genell M. Mills
Principal

Corrective Action Plan September 25, 2008

Chairman

Ruby George
Executive VP, OTU

Vice Chairman

Curtis Johnson
President, Sweetwater Community Assoc.

Treasurer

Narlene McLaughlin
Director of Administration, Potter's House

Secretary

Tommy Sampson
Ret., School Teacher

BOARD OF DIRECTORS

Donald Foy
Frederick McClendon

HONORARY MEMBER

Ted Hires
Lynda Barco (Deceased)
Elder George Matthews (Deceased)

EX-OFFICIO

Genell Mills

MOTTO

"Because potential is so completely unknown to us, we dare not underestimate any child and therefore see all students as possibilities."

Board of Directors
S.O.C.K. Outstanding Students (SOS) Academy, Inc
A Charter School and Component Unit of Duval County
District School Board
6974 Wilson Boulevard
Jacksonville, Florida 32210

S.O.C.K. Outstanding Students (SOS) Academy, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2008.

Simonic, Simonic, Ratnecht and Associates, Inc.
8750 Perimeter Park Boulevard
Jacksonville, Florida 32216
Audit Period: June 30, 2008

Comment: The auditor noted that SOS Academy has a deficit balance in the net assets of the Governmental Funds in the amount of \$93,296. The deficit increased by approximately \$50,000 in 2007-2008 School year, it is considered to be a financial emergency by the State of Florida and needs to be promptly addressed by the School's management.

Recommendation: SOS Academy's management should review expenses that are under-budgeted and make appropriate adjustments, insuring that there are funds available to cover actual expenses made. The School should consider seeking additional funding from the Federal and State Governments, perform fundraising activities in the community and reduce under budgeted expenses in order to decrease and eventually eliminate the outstanding deficit balance in the Governmental Funds.

Action: SOS Academy would like to note this is the first time in the school's history that student enrollment continued to decline through out the school year, placing an extreme strain on the 2007-2008 school budget. Effective 2008-2009 school year, SOS Academy has implemented a Community Liaison Position. This individual will

Charter School



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SCHOOL OF SUCCESS ACADEMY

Genell M. Mills
Principal

aggressively market the school to community and business' within the school's geographical boundaries. School will also partner with the Alliance for World Class Education; this is a part of the District's School Partners Initiative. It is the school's goal to acquire two new business partners each year who are willing to contribute time, services and donations to the school. SOS Academy has partnered with a Food Co-Op Distributor who will assist the school in raising funds through school wide fundraisers and concession sales during community football and basketball games. It is schools goal to cut the deficit fund balance by 50% at June 30, 2009 and completely eliminate the deficit by June 30, 2010 if not before.

Comment: The auditor noted that when the petty cash account was reimbursed, the reimbursement check was made out to "cash". Additionally some of the checks issued for repairs and maintenance were made out to "cash" as well. This is an undesirable practice because check made out to cash may be cashed by unauthorized persons, and the bank cannot be held liable for cashing them.

Recommendation: Auditor recommends that checks written to reimburse the petty cash account and checks written for repairs and maintenance be made payable to the person or organization authorized to cash such checks. SOS Academy's management should review reimbursement checks making sure that corresponding expenses are properly authorized and checks issued to legitimate parties. The auditor didn't discover any abuses related to these checks but deems that future practice of issuing them should be stopped.

Action: SOS Academy would like to note that all checks payable to cash were to replenish petty cash when funds were low. All checks payable to cash were signed and cashed at the bank by an authorize signer of SOS Academy. SOS Academy uses its petty cash for emergency repairs and maintenance, for example if toilets are over flowing and a plunger is needed, maintenance staff may request petty cash to purchase the item(s) needed to do repairs and return receipt as proof for cash purchase. School will comply with auditor's request and make checks payable to individuals and not cash.

Charter School



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MOTTO

"Because potential is so completely unknown to us, we dare not underestimate any child and therefore see all students as possibilities."

Comment: Auditor recommends that school should perform physical inventory of property and equipment. In connection with this inventory, tags should be placed on each asset with numbers that are recorded in the detail property records. This will help improve the tracking of assets for disposal and impairment purposes.

Recommendation: SOS Academy should place tags on all fixed assets and during next fixed assets inventory match the fixed assets tags to the fixed assets schedule in order to improve timely reporting of fixed assets additions and disposals.

Action: SOS Academy concurs with the auditors' recommendation, and will again begin placing assets tags on all assets fixed and capital, and will start conducting annual reviews of all school owned assets and not just assets that are valued at \$750 and over.

Comment: Auditor noted that SOS Academy didn't update the employee handbook and that some employees were not familiar with some basic school personnel policies and procedures. We recommend that an employee handbook be updated, distributed to employees in either hard-copy form or electronically and periodically updated as necessary. A comprehensive and up-to-date employee handbook can help communicate, and encourage adherence to, School policies; prevent possible confusion, inconsistent treatment, or misunderstandings among personnel; and provide a measure of liability protection to the School in case of employee legal challenges of School actions. Some topics that should be covered in an employee handbook include the following:

- The School's mission, core business and ethical values and organization.
- Equal employment opportunity, antidiscrimination and reasonable disability accommodation policies.
- Business hours, work schedules, overtime policies, and time keeping procedures.

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Director of Administration, Potter's House

Secretary

Tommy Sampson
Ret., School Teacher

BOARD OF DIRECTORS

Donald Foy
Frederick McClendon

HONORARY MEMBER

Ted Hires
Lynda Barco (Deceased)
Elder George Matthews (Deceased)

EX-OFFICIO

Genell Mills

MOTTO

"Because potential is so completely unknown to us, we dare not underestimate any child and therefore see all students as possibilities."

SCHOOL OF SUCCESS ACADEMY

Genell M. Mills
Principal

- Employee classifications, salary and overtime rates and pay dates.
- Holiday, vacation, disability and sick leave, personal time off, and other attendance and absence policies.
- Training programs, performance reviews, and promotion policies.
- Travel and expense reimbursement.
- Employee benefits programs, including pension, retirement, medical disability, insurance and other plans.
- Employee conduct, including policies on outside employment, conflict of interests, nepotism, appropriate use of School's assets, harassment, substance abuse, disciplinary actions, ect.
- Procedures for making and resolving complaints and reporting harassment, suspected fraud, or violations of School's policies.
- Policy on appropriate use, and School's monitoring of, computers, software, and Internet resources.
- Employment separation and termination procedures.

Recommendation: Auditor recommend that SOS Academy have its legal counsel review a draft of handbook before it is distributed to employees. We also recommend that the School introduce the handbook at meetings with employees that include discussion and question and answer periods. Finally auditor believes that employees should be required to sign an acknowledgement that they have received and read the handbook.

Action: SOS Academy would like to note that School does have an employee handbook and employees are aware of the updated employee handbook. SOS Academy leases its employees to Pay Checks Business Solutions who supplies company with employee handbook. SOS is currently in the process of having Pay Checks Business Solutions add an addendum to its handbook to make it more tailored for SOS Academy and its business practices. SOS is hoping to have this completed by January 1, 2009. Upon completion of handbook school will distribute and meet with its employees.

Charter School



SCHOOL OF SUCCESS ACADEMY

Genell M. Mills
Principal

Prior period management letter comments were addressed by the School and management and auditors were satisfied with the progress made by the school related to prior year comments except for the comment number one. SOS continues to have a deficit in the amount of \$93,296 which increased by 50,731 during 2007-2008 school year. The auditors have no other comments related to prior year's management comments.

Genell Mills
Principal, SOS Academy

Chairman

Ruby George
Executive VP, OTU

Vice Chairman

Curtis Johnson
President, Sweetwater Community Assoc.

Treasurer

Narlene McLaughlin
Director of Administration, Potter's House

Secretary

Tommy Sampson
Ret., School Teacher

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