

**ACADEMIES OF EXCELLENCE, INC.
d/b/a SUMMIT ACADEMY**

FINANCIAL STATEMENTS
(With Independent Auditor's Report Thereon)

Year Ended June 30, 2008

ACADEMIES OF EXCELLENCE, INC.
d/b/a SUMMIT ACADEMY

TABLE OF CONTENTS

Year Ended and June 30, 2008

	<u>Page</u>
Financial Section:	
Independent Auditor's Report	1-2
Management Discussion and Analysis	3-7
 Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Governmental Fund Financial Statements -	
Balance Sheet	10
Statement of Revenues, Expenditures, and Changes in Fund Balances	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances	12
Notes to Financial Statements	13-18
 Required Supplementary Information - Budgetary Comparison Schedule:	
General Fund	19
 Internal Control and Compliance Section:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20-21
Management Comments	22-23
Auditor Findings, Comments and Recommendations	24-27
Management's Response Letter	28-29
Communication to Those Charged with Governance	30-31

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Academies of Excellence, Inc.
d/b/a Summit Academy
Deland, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of *Academies of Excellence, Inc., d/b/a Summit Academy* (the School), a component unit of the Flagler County School Board, as of and for year ended June 30, 2008, which collectively comprise the School's financial statements as listed in the table of contents. These financial statements are the responsibility of *Summit Academy's* management. Our responsibility is to express opinions on these 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 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 opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of *Academies of Excellence, Inc., d/b/a Summit Academy* as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 6, 2009, on our consideration of *Summit Academy's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

The Management's Discussion and Analysis and Budgetary Comparison Schedule on pages 3-7 and page 19, are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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.

McDiarmid Davis & Company LLC

March 6, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of *Academies of Excellence, Inc.*, we offer readers of *Summit Academy Inc.*'s, financial statements this narrative overview and analysis of the financial activities of *Academies of Excellence, Inc., d/b/a Summit Academy* for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of *Summit Academy* exceeded its liabilities at the close of the most recent fiscal year by \$15,420.
- The School's total net assets decreased by \$13,687 in the current year.
- At the close of the current fiscal year, *Summit Academy*'s governmental funds reported a combined ending fund deficit of \$4,693, an increase of \$131 in the deficit in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to *Summit Academy*'s basic financial statements. *Summit Academy*'s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The statement of net assets presents information on all of *Summit Academy*'s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of *Summit Academy* is improving or deteriorating.

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Since *Summit Academy* has no business type activities, the government-wide financial statements include only governmental activities. The primary governmental activity of the School is education. FEFP revenue received from Flagler County School Board is the primary revenue source.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. *Summit Academy* uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of *Summit Academy* are governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Summit Academy adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This is presented as required supplementary information on page 19.

The governmental fund financial statements can be found on pages 10-12 of this report.

Notes to Financial Statements

The notes 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 13-18 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a School's financial position. In the case of *Summit Academy*, assets exceeded liabilities by \$15,420 at June 30, 2008 and \$29,107 at June 30, 2007.

The largest portion of *Summit Academy's* net assets reflects its investment in capital assets (e.g., computers, furniture, equipment). *Summit Academy* uses these capital assets to provide services to students consequently; these assets are not available for future spending.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following table reflects the condensed comparative statement of net assets at June 30, 2008 and 2007. For more detailed information see the Statement of Net Assets on page 8.

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 32,387	\$172,406
Capital assets	<u>12,531</u>	<u>18,504</u>
Total assets	<u>44,918</u>	<u>190,910</u>
 Total liabilities	 <u>29,498</u>	 <u>161,803</u>
 Net assets:		
Invested in capital assets	12,531	18,504
Restricted for capital projects	6,572	-
Unrestricted	<u>(3,683)</u>	<u>10,603</u>
Total net assets	<u>\$ 15,420</u>	<u>\$ 29,107</u>

The School's net assets decreased by \$13,687 during the current fiscal year primarily because of decreased student enrollment. The following table reflects the condensed Statement of Activities for the years ended June 30, 2008 and 2007. For more detailed information, see the Statement of Activities on page 9.

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,427	\$ 22,321
Operating grants and contributions	10,844	-
Capital grants and contributions	44,730	-
General revenues:		
Flagler County School School Board	401,712	393,302
Bad Debt Recovery	-	86,490
Gain on Sales of Assets	-	<u>36,368</u>
Total revenues	<u>459,713</u>	<u>538,481</u>
Expenses:		
Instruction	197,328	209,048
Pupil personnel services	5,975	273
General administration	26,822	7,262
School administration	53,413	44,265
Facilities acquisition and construction	19,946	-
Fiscal services	41,324	48,496
Food services	35,972	29,797
Central Services	801	2,911
Student transportation	42,726	44,890
Operation of plant	<u>49,093</u>	<u>49,928</u>
Total expenses	<u>473,400</u>	<u>436,870</u>
 Increase (decrease) in net assets	 (13,687)	 101,611
Net assets (deficit) - beginning	<u>29,107</u>	<u>(72,504)</u>
Net assets - ending	<u>\$ 15,420</u>	<u>\$ 29,107</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the School's Funds

As noted earlier, *Summit Academy* uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of *Summit Academy's* governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing *Summit Academy's* financing requirements. In particular, unreserved fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's governmental funds reported a combined ending fund deficit of \$4,693, an increase of \$131 in the deficit in comparison with the prior year. Management plans to eliminate this deficit by increasing student enrollment, seeking outside funding to provide sufficient funds for continued operations and monitoring expenditures.

Capital Asset and Debt Administration

Capital Assets - *Summit Academy's* investment in capital assets for its governmental activities as of June 30, 2008 and 2007 amounts to \$12,531 and \$18,504 respectively (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, equipment and computer equipment. The total decrease in the School's investment in capital assets for the current fiscal year was \$5,973, current year depreciation expense.

	<u>2008</u>	<u>2007</u>
Furniture, Fixtures and Equipment	\$ 29,131	\$ 29,131
Computers	<u>47,512</u>	<u>47,512</u>
	76,643	76,643
Less Accumulated Depreciation	<u>(64,112)</u>	<u>(58,139)</u>
	<u>\$ 12,531</u>	<u>\$ 18,504</u>

Additional information on *Summit Academy's* capital assets can be found in Note 6 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS - (CONTINUED)

General Fund Budgetary Highlights - Due to management oversight, the budget was not amended during the year. See Note 10 on budgetary and fund operations.

Economic Factors and Next Year's Budgets and Rates - *Academies of Excellence, d/b/a/ Summit Academy* is a charter school sponsored by the Flagler County School Board. The initial charter is effective for five years from July 1, 2004 through June 30, 2009.

We are currently revising the annual budget that will be presented to the Board of Directors for approval. In the budget, costs are being contained or reduced by the following:

- Student enrollment is currently increasing on a weekly basis.
- The student/teacher ratio is being increased to the level of the Class Size Reduction Act. This will reduce staffing needs.
- Bus routes have been combined to cut fuel cost in half, as well as reduce personnel costs for transportation by one-third.
- Other cost containment and reductions will be implemented as we continue to evaluate expenditures.

Requests for Information

This financial report is designed to provide a general overview of *Summit Academy's* finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, *Academies of Excellence, Inc.*, 303 W. Moody Blvd., Bunnell, FL 32110.

FINANCIAL STATEMENTS

ACADEMIES OF EXCELLENCE
d/b/a SUMMIT ACADEMY

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash	\$ 17,022
Accounts receivable	74
Due from other schools	3,937
Prepaid expenses	9,850
Total current assets	<u>30,883</u>
Noncurrent assets:	
Deposits	1,504
Capital assets, net	12,531
Total noncurrent assets	<u>14,035</u>
Total Assets	<u>44,918</u>
Liabilities:	
Accounts payable	23,273
Payable to other governments	6,225
Total liabilities	<u>29,498</u>
Net Assets:	
Invested in capital assets	12,531
Restricted for capital projects	6,572
Unrestricted	(3,683)
Total net assets	<u>\$ 15,420</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

ACADEMIES OF EXCELLENCE, INC.
d/b/a SUMMIT ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services</u>	<u>and</u>	<u>and</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Assets</u>
					<u>Governmental</u>
					<u>Activities</u>
Functions/Programs:					
Instruction	\$ 197,328	\$ -	\$ -	\$ -	\$ (197,328)
Pupil personnel services	5,975	-	-	-	(5,975)
General administration	26,822	-	-	-	(26,822)
School administration	53,413	-	-	-	(53,413)
Facilities acquisition and construction	19,946	-	-	-	(19,946)
Fiscal services	41,324	-	-	-	(41,324)
Food services	35,972	2,427	10,844	-	(22,701)
Central services	801	-	-	-	(801)
Student transportation	42,726	-	-	-	(42,726)
Operation of plant	49,093	-	-	44,730	(4,363)
Total governmental activities	<u>\$ 473,400</u>	<u>\$ 2,427</u>	<u>\$ 10,844</u>	<u>\$ 44,730</u>	<u>(415,399)</u>
General revenues:					
School Board of Flagler County					<u>401,712</u>
Change in net assets					<u>(13,687)</u>
Net assets, beginning					<u>29,107</u>
Net assets, ending					<u>\$ 15,420</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

ACADEMIES OF EXCELLENCE, INC.
d/b/a SUMMIT ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2008

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets:			
Cash	\$ 17,022	\$ -	\$ 17,022
Accounts receivable	74	-	74
Due from other funds	-	6,572	6,572
Due from other schools	3,937	-	-
Prepaid expenses	2,268	-	2,268
Deposits	1,504	-	1,504
Total assets	<u>\$ 24,805</u>	<u>\$ 6,572</u>	<u>\$ 31,377</u>
Liabilities and Fund Balances:			
Liabilities:			
Due to other funds	\$ 6,572	-	\$ 32,989
Accounts payable	23,273	-	23,273
Payable to other governments	6,225	-	6,225
Total liabilities	<u>36,070</u>	<u>-</u>	<u>36,070</u>
Fund balance (deficit):			
Reserved for capital projects	-	6,572	6,572
Unreserved	(11,265)	-	(11,265)
Total fund balances	<u>(11,265)</u>	<u>6,572</u>	<u>(4,693)</u>
Total liabilities and fund balances	<u>\$ 24,805</u>	<u>\$ 6,572</u>	

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	12,531
Certain expenditures in the funds are considered prepaid expenses.	7,582
Net assets of governmental activities	<u>\$ 15,420</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

ACADEMIES OF EXCELLENCE, INC.
d/b/a SUMMIT ACADEMY

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

Year Ended June 30, 2008

	General Fund	Capital Projects Fund	Total
Revenues:			
School Board of Flagler County	\$ 401,712	\$ -	\$ 401,712
Federal grant	10,844	-	10,844
Charge for services	2,427	-	2,427
State grants	-	44,730	44,730
Total revenues	414,983	44,730	459,713
Expenditures:			
Instruction	191,173	675	191,848
Pupil personnel services	5,975	-	5,975
General administration	24,311	1,152	25,463
School administration	52,589	331	52,920
Facilities acquisition and construction	-	19,946	19,946
Fiscal services	41,324	-	41,324
Food services	35,972	-	35,972
Central services	503	1,657	2,160
Student transportation	31,301	11,425	42,726
Operation of plant	38,538	2,972	41,510
Total expenditures	421,686	38,158	459,844
Net change in fund balances	(6,703)	6,572	(131)
Fund Balance (Deficit) - Beginning of Year	(4,562)	-	(4,562)
Fund Balance (Deficit) - End of Year	\$ (11,265)	\$ 6,572	\$ (4,693)

The accompanying Notes to Financial Statements are an integral part of this statement.

ACADEMIES OF EXCELLENCE, INC.
d/b/a SUMMIT ACADEMY

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Year Ended June 30, 2008

Net change in fund balances \$ (131)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as as depreciation expense.

This is the amount by which capital outlays \$0 exceeded depreciation \$5,973 in the current period. (5,973)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Prepaid rent (7,583)

Change in net assets \$ (13,687)

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

ACADEMIES OF EXCELLENCE, INC.
d/b/a SUMMIT ACADEMY

NOTES TO FINANCIAL STATEMENTS

For Year Ended June 30, 2008

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity - The *Academies of Excellence, Inc.* d/b/a *Summit Academy* (the School) is part of the Florida system of public education under the general direction of the Florida Department of Education (Department). The *Academies of Excellence, Inc.* is a not-for-profit organization created pursuant to Chapter 228, Florida Statutes and oversees the operations of several charter schools, of which *Summit Academy* is one (Heritage High School and *Summit Academy* are the others) in Flagler County. These financial statements include only the activities of *Summit Academy* and exclude the activities of the *Academies of Excellence, Inc.* (Academies) and any other charter school operated by the Academies. The District School Board of Flagler County, Florida (District) approved the School's charter in July 2004 and is effective for a five-year period from July 1, 2004 to June 30, 2009. The charter may be renewed at the end of the five-year period upon mutual agreement of the School and District. At the end of the term of 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. In the event that the charter is terminated, the School shall be responsible for all the debts of the School. If the School is dissolved or terminated, any public unencumbered funds and all school property purchased with public funds automatically revert to the District.

The Academies is a Florida not-for-profit organization that is exempt from state and federal income tax under Internal Revenue Service Code Section 501(c)(3).

The Florida Department of Education has concluded that Florida charter schools are component units of the sponsoring school board. To facilitate accounting and reporting to school boards, charter schools are encouraged to use the governmental reporting model and follow the fund and account structure provided in the "Financial and Program Cost Accounting and Reporting for Florida Schools - The Red Book", issued by the Florida Department of Education.

In accordance with U.S. generally accepted accounting principles, the School has determined that there are no potential component units that it must include within its financial statements.

Government-Wide and Fund Financial Statements - 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. The effect of interfund activity has been removed from these statements. The School has only governmental activities and does not engage in any business-type activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services for goods and services provided to participants on a voluntary basis. General revenues represent amounts received from federal, state and local sources. Fund financial statements are presented for the School's General Fund, and is accounted for by providing a separate set of self-balancing accounts that constitute assets, liabilities, fund equity, revenues and expenditures. The General Fund is considered to be a major fund.

ACADEMIES OF EXCELLENCE, INC.
d/b/a SUMMIT ACADEMY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued):

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - 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 related cash flows. Grants and similar items are recognized as revenue 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 are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The School reports the following major governmental fund:

General Fund - accounts for all financial resources. Not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

Capital Projects Fund - accounts for resources from Charter School Capital Outlay Funds and payments made for capital outlay needs, including maintenance of school facilities.

Budgets and Budgetary Accounting - Budgets are prepared and original budgets are adopted annually for the General Fund in accordance with procedures and time intervals prescribed by the Board of Directors (Board) of the School. During the fiscal year ended June 30, 2008, the Board adopted an annual budget for the General Fund. The School is not required to submit its budget to any regulatory agencies.

Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, school administration, and transportation) and may be amended at any Board meeting prior to the due date of the annual financial report. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

ACADEMIES OF EXCELLENCE, INC.
d/b/a SUMMIT ACADEMY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued):

Deposits - The School's cash and cash equivalents is cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of the acquisition.

Receivables - Receivables consist of amounts due from other schools.

Capital Assets - Capital assets consist of leasehold improvements, furniture, fixtures, and equipment, and computers. Capital assets purchased in the governmental funds are recorded as expenditures at time of purchase. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are defined as assets with a cost of \$750 or more. Donated capital assets are recorded at fair market value at the date of donation. Depreciation has been provided on capital assets using the straight-line method over the estimated useful lives of the various classes of depreciable assets, which range from 3-7 years.

State Revenue Sources - Revenue from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education under the provisions of Section 1011.62 (formerly 236.081), Florida Statutes. In accordance with this law, the Board determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTEs and related data and calculates the allocation of funds to the School. The School is permitted to amend its original reporting for a period of one year following the date of the original reporting. Such amendments may impact funding allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when adjustments are made.

The State provides financial assistance to administer certain categorical educational programs. Florida Department of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund.

ACADEMIES OF EXCELLENCE, INC.
d/b/a SUMMIT ACADEMY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

Note 2 - Reconciliation of Government Wide and Fund Financial Statements:

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets - The governmental fund balance sheet includes a reconciliation between fund-balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statements of activities - The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

Note 3 - Deposits:

Deposits - At year-end, the carrying amount of the School's deposits was \$17,022 and the bank balance was \$17,821. All bank deposits were fully covered by federal depository insurance.

Note 4 - Due To/From Other Schools:

Amounts due from *Academies of Excellence* represents money deposited in Academies' bank account and never deposited in the School's bank.

Due from <i>Academies of Excellence</i>	\$ 87,976
Due to Heritage High School	<u>(84,039)</u>
Total	<u>\$ 3,937</u>

Note 5 - Due To/From Other Funds:

The general fund owes the capital projects fund \$6,572 which represents unspent capital outlay funds which were deposited to the general fund bank account.

ACADEMIES OF EXCELLENCE, INC.
d/b/a SUMMIT ACADEMY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

Note 6 - Capital Assets:

The following is a summary of changes in capital assets during the fiscal year ended June 30, 2008.

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Capital assets being depreciated:				
Furniture, fixtures and equipment	\$ 29,131	\$ -	\$ -	\$ 29,131
Computers	<u>47,512</u>	-	-	<u>47,512</u>
Total capital assets being depreciated	<u>76,643</u>	-	-	<u>76,643</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(12,325)	(4,276)	-	(16,601)
Computers	<u>(45,814)</u>	<u>(1,697)</u>	-	<u>(47,511)</u>
Total accumulated depreciation	<u>(58,139)</u>	<u>(5,973)</u>	-	<u>(64,112)</u>
 Total capital assets, net	 <u>\$ 18,504</u>	 <u>\$ (5,973)</u>	 <u>\$ -</u>	 <u>\$ 12,531</u>
 Depreciation was charged to functions as follows:				
Instruction	\$ 5,480			
School administration	<u>493</u>			
	<u>\$ 5,973</u>			

Note 7 - Concentrations of Local Revenue Sources:

The School receives substantially all of its support and revenue from federal and state funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operations of the School is greatly dependent upon the continued support of these funding sources. A reduction in the amount of funding could prevent the School from continuing in its present form.

Note 8 - Risk Management Programs:

General liability, automotive, and health and hospitalization coverage are provided through purchased commercial insurance with minimum deductibles for each line of coverage. There have been no significant reductions in insurance coverage during the year ended June 30, 2008. Settled claims resulting from these risks have not exceeded commercial coverage.

ACADEMIES OF EXCELLENCE, INC.
d/b/a SUMMIT ACADEMY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

Note 9 - Related Party Transactions:

Academies of Excellence

Academies of Excellence, Inc. manages the operation of Summit Academy. The Chief Executive Officer of Academies of Excellence serves on the board of Summit. Summit pays Academies a management fee of up to 18% of gross school revenues. In fiscal year 2008, Summit paid Academies a management fee of \$82,311. Additionally, Summit reimburses Academies for other bills Academies pays for on their behalf.

Human Services Associates

Academies of Excellence, Inc. leases its classroom facilities from Human Services Associates Properties Corporation (HSA) whose chief executive officer is one of the School's Board members. The five year lease expires in June 2009. Payment terms include a \$50,184 initial payment for the first two months of the lease and \$6,000 a month thereafter. During the 2008 fiscal year, HSA donated the rent to the school.

Common Board of Directors

Academies and its three charter schools, Cornerstone Elementary, *Summit Academy*, and Heritage High School, have the same board of directors.

Note 10 - Stewardship, Compliance and Accountability:

General Fund expenditures exceeded appropriations by \$304 in the budgetary comparison schedule for the year ended June 30, 2008. In addition, appropriations in 2008 were in excess of anticipated revenue and prior years fund balance. Appropriations totaled \$421,382 while anticipated revenue and prior years fund balance totaled \$421,265.

At June 30, 2008, the School had a deficit fund balance of \$11,265 in the general fund.

REQUIRED SUPPLEMENTARY INFORMATION

ACADEMIES OF EXCELLENCE, INC.
d/b/a SUMMIT ACADEMY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
School Board of Flagler County	\$ 412,555	\$ 412,555	\$ 401,712	\$ (10,843)
Federal grant	10,845	10,845	10,844	(1)
Charges for services	2,427	2,427	2,427	-
Total revenues	<u>425,827</u>	<u>425,827</u>	<u>414,983</u>	<u>(10,844)</u>
Expenditures:				
Current:				
Instruction	179,452	179,452	191,173	(11,721)
Pupil personnel services	9,332	9,332	5,975	3,357
General administration	8,004	8,004	24,311	(16,307)
School administration	50,386	50,386	52,589	(2,203)
Fiscal services	41,327	41,327	41,324	3
Food services	35,979	35,979	35,972	7
Central services	3,319	3,319	503	2,816
Student transportation	42,393	42,393	31,301	11,092
Operation of plant	51,190	51,190	38,538	12,652
Total expenditures	<u>421,382</u>	<u>421,382</u>	<u>421,686</u>	<u>(304)</u>
Net change in fund balance	4,445	4,445	(6,703)	(11,148)
Fund balance(deficit) - beginning of year	(4,562)	(4,562)	(4,562)	-
Fund balance(deficit) - end of year	<u>\$ (117)</u>	<u>\$ (117)</u>	<u>\$ (11,265)</u>	<u>\$ (11,148)</u>

REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

Board of Directors
Academies of Excellence, Inc.
d/b/a Summit Academy
Deland, Florida

We have audited the financial statements of *Summit Academy* (the School) as of and for the year ended June 30, 2008, and have issued our report thereon dated March 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described below to be a material weakness.

Material Weakness

SAS No. 12, Communicating Internal Control Related Matters Identified in an Audit, establishes new requirements for auditors to communicate certain control deficiencies that they have identified during the audit. Under this new SAS, if *Summit Academy* does not have controls over preparation of the financial statements which would prevent or detect a misstatement in the financial statements, then we must report a material weakness. We recommend that the School consider hiring another CPA to prepare the financial statements to be audited, since a CPA firm other than the auditor's firm can be part of the School's internal control.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Summit Academy in a separate letter dated March 6, 2009. The School's response to our findings identified in our audit is included in this report. We did not audit the School's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors and the Auditor General of the State of Florida, and is not intended to be, and should not be used by anyone other than these specified parties.

McDermitt Davis & Company, LLC

March 6, 2009

MANAGEMENT LETTER

To the Board of Directors
Academies of Excellence, Inc.
d/b/a Summit Academy
Deland, Florida

We have audited the financial statements of *Academies of Excellence, Inc., d/b/a Summit Academy*, Deland, Florida, as of and for the fiscal year ended June 30, 2008 and have issued our report thereon dated March 6, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated March 6, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

- Section 10.854(1)(e)(1), Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The recommendations made in the preceding annual financial audit report have not all been corrected, as discussed in attached Prior Year Findings, Comments and Recommendations.
- Section 10.854(1)(e)(2), Rules of the Auditor General, require a statement as to whether or not the charter school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, relating to determination of financial emergency, as well as identification of the specific condition met. In connection with our audit, we determined that *Summit Elementary* did meet two of the conditions described in Section 218.503(1), Florida Statutes. See attached Current Year Findings, Comments, and Recommendations.
- Section 10.854(1)(e)(3), Rules of the Auditor General, require that we address in the management letter any findings and recommendations to improve financial management. In connection with our audit, we did have findings, which are discussed in Current Year Findings, Comments, and Recommendations.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

- Section 10.854(1)(e)(4), Rules of the Auditor General, require that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did have findings, which are discussed in Current Year Findings, Comments, and Recommendations.
- Section 10.854(1)(e)(5), Rules of the Auditor General, requires based on professional judgment, the reporting of the following matters that are inconsequential to the determination of financial statement amounts considering both quantitative and qualitative factors:
 - a. Violations of laws, rules, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred.
 - b. Improper expenditures or illegal acts that would have an immaterial effect on the financial statements.
 - c. Control deficiencies that are not significant deficiencies, including, but not limited to:
 - 1) Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
 - 2) Failures to properly record financial transactions.
 - 3) Inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.
- Section 10.854(1)(e)(6), Rules of the Auditor General, requires that the name or official title of the school be disclosed. The official title of the school is *Academies of Excellence, Inc. d/b/a Summit Academy*.
- Section 10.854(1)(e)(7), Rules of the Auditor General, require that the auditor apply financial condition assessment procedures pursuant to Rule 10.855(10). In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information of *Summit Academy* and management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

McDermitt Davis & Company, LLC

March 6, 2009

PRIOR YEAR FINDINGS, COMMENTS & RECOMMENDATIONS

1. Compliance With Charter Provisions

The School's Charter with the School Board of Flagler County, Florida (Sponsor) contains certain provisions to which the School did not comply.

- A. Section 4.9.1 requires the School to submit quarterly financial reports to its Sponsor no later than the 30 days following the quarter. We determined that the School did submit required reports, however they were late. We recommend these reports be filed on a timely basis.
- B. As we discussed in prior auditor comments, Section 4.9.3 requires the School to budget for and maintain a "Reserve Fund" equal to a minimum of 3% of the School's total annual operating fund. We noted that the School was unable to comply with this provision due to its financial condition. We recommend that the School analyze its financial situation and develop plans to comply with its reserve funding requirement.

Corrective Action

The School did not correct either A or B above, so this finding will be repeated under Current Year Findings, Comments, and Recommendations.

2. Financial Emergency

A charter school shall notify the charter school sponsor when they meet one or more of the conditions specified in Florida Statutes Section 218.503. *Summit Academy* does meet one of the conditions, and therefore must notify their sponsor. Florida Statutes Section 218.503 also requires the sponsor to determine what actions have been taken by the charter school governing body to resolve the condition.

We recommend that *Summit Academy's* governing body develop a financial recovery plan that will cause the charter school to no longer be subject to this Section.

Corrective Action

At June 30, 2008, *Summit Academy* meets two of the conditions in Section 218.503 of Florida Statutes, so this comment will be repeated in current year.

3. Expenditures in Excess of Appropriations

General Fund expenditures exceeded appropriations by \$17,099 in 2007.

We recommend that the School amend the budget within 60 days after year end to insure that expenditures do not exceed appropriations.

Corrective Action

General Fund expenditures exceeded appropriations in 2008, so this comment will be repeated in current year.

PRIOR YEAR FINDINGS, COMMENTS & RECOMMENDATIONS - CONTINUED

4. Appropriations in Excess of Funds Available

Appropriations in 2007 were in excess of anticipated revenue and prior years fund balance. Appropriations totaled \$381,408 while anticipated revenue and prior years fund balance totaled \$268,264.

We recommend that when budgeting, the School consider both anticipated revenue along with prior years fund balance (deficit) before amending budget for appropriations.

Corrective Action

Appropriations in 2008 are in excess of anticipated revenue and prior years fund balance, so this comment will be repeated in current year.

CURRENT YEAR FINDINGS, COMMENTS & RECOMMENDATIONS

1. Compliance With Charter Provisions

The School's Charter with the School Board of Flagler County, Florida (Sponsor) contains certain provisions to which the School did not comply.

- A. Section 4.9.1 requires the School to submit quarterly financial reports to its Sponsor no later than the 30 days following the quarter. We determined that the School did submit required reports, however they were late. We recommend these reports be filed on a timely basis.
- B. As we discussed in prior auditor comments, Section 4.9.3 requires the School to budget for and maintain a "Reserve Fund" equal to a minimum of 3% of the School's total annual operating fund. We noted that the School was unable to comply with this provision due to its financial condition. We recommend that the School analyze its financial situation and develop plans to comply with its reserve funding requirement.

2. Financial Emergency

A charter school shall notify the charter school sponsor when they meet one or more of the conditions specified in Florida Statutes Section 218.503. *Summit Academy* does meet two of the conditions, and therefore must notify their sponsor. The general fund has a deficit fund balance of \$11,265 and the School has been unable to pay certain expenses within 90 after the claim was presented. Florida Statutes Section 218.503 also requires the sponsor to determine what actions have been taken by the charter school governing body to resolve the condition.

We recommend that *Summit Academy's* governing body develop a financial recovery plan that will cause the charter school to no longer be subject to this Section.

3. Appropriations in Excess of Funds Available

Appropriations in 2008 were in excess of anticipated revenue and prior years fund balance. Appropriations totaled \$421,382 while anticipated revenue and prior years fund balance totaled \$421,265.

We recommend that when budgeting the School consider both anticipated revenue along with prior years fund balance (deficit) before amending budget for appropriations.

4. Deficit Fund Equity

The general fund has a deficit fund balance of \$11,265 at June 30, 2008.

We recommend the School's governing body develop a plan to eliminate the deficit fund balance.

CURRENT YEAR FINDINGS, COMMENTS & RECOMMENDATIONS - CONTINUED

5. Excess of Expenditures Over Appropriations

For the year ended June 30, 2008, expenditures exceeded appropriations in the general fund by \$304.

We recommend that the School amend their budget within 60 days of year end to prevent this from happening.

6. Capital Outlay Grant

During 2008, the School spent some of the Florida Department of Education Capital Outlay Funds on repairs and maintenance of buses, which is not an allowable expense under Florida Statute Section 1013.62(2). Capital Outlay Funds should only be used to purchase vehicles to transport students, as well as other capital expenditures.

We recommend the School talk to authorities at the Department of Education to determine if they must return some of the Capital Outlay Funds.

7. Missing Documentation for Disbursements

The organization's purchasing and payment policies require that adequate documentation be maintained for vendor payments. Receipt of merchandise should be acknowledged with a signature. Tests of selected disbursements revealed a lack of appropriate documentation to support some transactions.

We recommend that when the School reimburses Academies of Excellence for expenses that documentation includes invoices that Academies of Excellence paid to support the amount due from the School.

Academies of Excellence

March 13, 2009

Re: Response to Audit Management Letter

1. Compliance With Charter Provisions

- A. The school will put reminders in place through the accounting software to ensure that the quarterly reports to the Sponsor are generated in a timely manner.
- B. The Board has addressed the need for the Reserve Fund and has made appropriate budget revisions in order to comply. One difficulty with meeting this requirement is the retroactive reduction in funding of State funds.

2. Financial Emergency

- A. The Sponsor has been notified of the financial emergency which has existed since 2005-6 school year. At that time the school had a deficit fund balance of \$72,504 which has been reduced by a total \$63,874 over a two year period. For a school of only 60 students, this is a significant positive improvement. This is an increase will continue to strengthen the financial condition of the school. The remaining item in the financial emergency is payment of some vendors exceeding 90 days. The Board will address a revised recovery plan based on the current audit.

A key factor in changing the financial status is the request that the Governing Board has made to the sponsor to combine Cornerstone Elementary, Summit Academy, and Heritage High School into a single charter. When the schools were first formed, the belief was that each would grow into independent schools at different locations. Since this has not occurred, the schools currently reside at the same site. By combining the three schools into one Pre-K through 12 school would immediately result in schools no longer having a negative fund balance. More importantly, moving forward it would reduce operating costs by approximately \$45,000 per year (\$20,000 in auditing fees and \$25,000 in accounting fees). This would also better utilize resources.

3. Appropriations in Excess of Funds Available

This has been brought to the Board's attention and has been corrected in the current year's budget.

4. Deficit Fund Equity

A key factor in changing the financial status is the request that the Governing Board has made to the sponsor to combine Cornerstone Elementary, Summit Academy, and Heritage High School into a single charter. When the schools were first formed, the belief was that each would grow into independent schools at different locations. Since this has not occurred, the schools currently

reside at the same site. By combining the three schools into one Pre-K through 12 school would immediately result in schools no longer having a negative fund balance. More importantly, moving forward it would reduce operating costs by approximately \$85,000 per year (\$60,000 in auditing fees and \$25,000 in accounting fees). This would also better utilize resources.

5. Excess of Expenditures Over Appropriations

The \$304 overage was an accounting error that has been corrected.

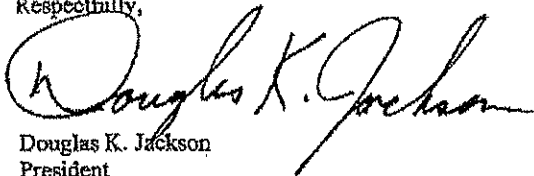
6. Capital Outlay Grant

The school was under the belief that these were appropriate capital outlay expenses since they extended the useful life of the capital outlay item. The school will contact the Department of Education to determine the best way to rectify the error.

7. Missing Documentation for Disbursements

After discussing with the auditors what documentation was missing, the two checks in question were miss filed due to change of staff and physically relocating the administrative offices to another site. Once the files are reorganized and digitizing all documentation will expedite future retrieval.

Respectfully,



Douglas K. Jackson
President

Academies of Excellence

340 N. Boston Avenue

DeLand, FL 32724

Phone: (386) 624-6982

Fax: (386) 845-9292

www.aoeschools.com

MCDIRMIT  DAVIS
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

To the Board of Directors
Academies of Excellence, Inc.
d/b/a Summit Academy
Deland Florida

We have audited the financial statements of the governmental activities and the major fund of *Academies of Excellence, Inc., d/b/a Summit Academy* for the year ended June 30, 2008, and have issued our report thereon dated March 6, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 29, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. As part of our audit, we considered the internal control of *Academies of Excellence, Inc., d/b/a Summit Academy*. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of *Academies of Excellence, Inc., d/b/a Summit Academy's* compliance with certain provisions of laws, regulations, contracts, and grants.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 29, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by *Academies of Excellence, Inc., d/b/a Summit Academy* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

MEMBERS: PRIVATE COMPANIES PRACTICE SECTION • AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 6, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of The Board of Directors and management of *Academies of Excellence, Inc., d/b/a Summit Academy* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

McDiarmid Davis & Company, LLC

March 6, 2009

