

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.

***BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION***

Year Ended June 30, 2008

Sunshine Elementary Charter School, Inc.

TABLE OF CONTENTS

	<u>Page No.</u>	
INDEPENDENT AUDITORS' REPORT	1	
MANAGEMENT'S DISCUSSION AND ANALYSIS	3	
BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements:		
Statement of Net Assets	6	
Statement of Activities	7	
Fund Financial Statements:		
Balance Sheet – Governmental Funds	8	
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets.....	9	
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	11	
Notes to Financial Statements.....	12	
REQUIRED SUPPLEMENTAL INFORMATION		
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Funds	19	
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
MANAGEMENT LETTER	22	
MANAGEMENT'S RESPONSE	25	



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sunshine Elementary Charter School, Inc.
Hollywood, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Sunshine Elementary Charter School, Inc. ("SEC"), a Charter School, as of and for the year ended June 30, 2008, which collectively comprises Sunshine Elementary Charter School, Inc.'s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Management of SEC. Our responsibility is to express an opinion 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 of America. 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 SEC 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.

The accompanying Financial Statements have been prepared assuming that SEC will continue as a going concern. As discussed in Note H to the Financial Statements, SEC's deteriorating financial condition and limited access to outside financing raise substantial doubt about its ability to continue as a going concern. The Financial Statements do not include any adjustments that might result from the outcome of the uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2008, on our consideration of SEC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, regulatory agencies of federal and state governments and the School Board of Broward County. It is not intended to be and should not be used by anyone other than these specified parties.



September 28, 2008
Hollywood, FL

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Our discussion and analysis of the Sunshine Elementary Charter School, Inc.'s ("SEC") financial program provides an overview of SEC's financial activities for the year ended June 30, 2008.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with SEC's financial statements which begin on page 6.

For financial statement purposes, SEC is considered a component unit of the School District of Broward County, which is a primary government entity for financial reporting. SEC has included separate statements for the Balance Sheet of Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds. The Fund Financial Statements reflect financing activities of SEC by providing information on inflows and outflows of spendable resources, while the Statement of Net Assets and the Statement of Activities provide information on the activities of SEC.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of SEC's financial position. Included in these statements are all assets and liabilities using the accrual method of accounting. All of the current year's revenues and expenses are recorded when received.

The Statement of Net Assets presents information on all of SEC'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 SEC is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

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.

Governmental Funds - All of SEC's basic services are reported in governmental funds, which 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, which 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 SEC's governmental activities and the basic services it provides.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 12-18 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of SEC's financial position. SEC's liabilities exceeded assets by \$148,337 at June 30, 2008.

NET ASSETS

Current Assets	\$ 14,306
Total Current Assets	<u>\$ 14,306</u>
 Capital Assets	 \$ 10,741
Total Capital Assets	<u>\$ 10,741</u>
 Accounts Payable and Payroll Liabilities	 \$ 33,965
Deferred Revenue	<u>139,419</u>
Total Liabilities	<u>\$ 173,384</u>
 Investment in Capital Assets	 \$ 10,741
Unrestricted	(159,078)
Restricted	<u>-</u>
Total Net Assets	<u>\$ (148,337)</u>

Revenues for governmental activities totaled \$640,712 for the year ended June 30, 2008. The main source of revenue was from the Florida Education Finance Program ("FEFP"). This revenue represented approximately 81% of total revenue.

Revenue Source	Amount	% of Total
FEFP	\$ 517,991	81%
Federal passed through local schools	9,469	1%
Other Revenue	<u>113,252</u>	<u>18%</u>
Total	<u>\$ 640,712</u>	<u>100%</u>

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Expenses for major functions of SEC are shown in the following table:

<u>Expenses</u>	<u>Amount</u>	<u>% of Total</u>
Instruction	\$ 445,402	52.7%
Pupil personnel services	58,918	7.0%
Instructional media services	240	0.0%
Instruction and curriculum development services	3,994	0.5%
Instructional staff training	2,703	0.3%
Board expenses	61,557	7.3%
School administration	117,326	13.9%
Facilities acquisition & construction	28,490	3.4%
Fiscal services	25,461	3.0%
Food services	4,472	0.5%
Pupil transportation	55,625	6.6%
Operation of plant	39,293	4.6%
Maintenance of plant	1,704	0.2%
Community Services	209	0.0%
	<u>\$ 845,394</u>	<u>100.0%</u>

CURRENT YEAR VS PRIOR YEAR RESULTS

The 2007-2008 school year was the second year that SEC enrolled students. Total revenue was \$640,712 and \$805,311 for the years ended June 30, 2008 and 2007, respectively. The decrease in revenue was the result of SEC receiving a Walton grant only in its first year in operation. Total expenses were \$845,394 and \$748,967 for the years ended June 30, 2008 and 2007, respectively. The \$96,427 increase in expenses is primarily attributable to the increase in pupil personnel services during the year ended June 30, 2008.

BUDGETARY HIGHLIGHTS

Actual revenue was \$105,747 less than budgeted because SEC budgeted to receive more miscellaneous revenue than was actually received during the year.

Instruction and other functional expenses were more than the amount budgeted primarily as a result of higher school administration expenses than expected.

Total deficit fund balance of the General Fund was \$(159,078) at June 30, 2008.

PROSPECTS FOR THE FUTURE

SEC is actively marketing to attract more students and is searching for land to build a new facility which would enable it to accommodate more students.

Sunshine Elementary Charter School, Inc.
Statement of Net Assets
June 30, 2008

		Governmental Activities
ASSETS		
CURRENT ASSETS		
Cash	\$	13,507
Accounts Receivable		799
Total current assets		14,306
 CAPITAL ASSETS		
Capital Assets, Net of Accumulated Depreciation		
Furniture, fixtures and equipment		10,741
Total capital assets		10,741
Total assets	\$	25,047
LIABILITES AND NET ASSETS		
LIABILITES		
Salaries and Wages Payable	\$	33,398
Accounts Payable		567
Deferred Revenue		139,419
Total liabilities		173,384
 NET ASSETS		
Investment in Capital Assets		10,741
Unrestricted		(159,078)
Total net assets		(148,337)
Total liabilities and net assets	\$	25,047

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

Sunshine Elementary Charter School, Inc.
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 445,402	\$ -	\$ 3,911	\$ -	\$ (441,491)
Pupil personnel services	58,918	-	-	-	(58,918)
Instructional media services	240	-	-	-	(240)
Instruction and curriculum development services	3,994	-	3,035	-	(959)
Instructional staff training	2,703	-	-	-	(2,703)
Board expenses	61,557	-	2,703	-	(58,854)
School administration	117,326	-	-	-	(117,326)
Facilities acquisition & construction	28,490	-	-	-	(28,490)
Fiscal services	25,461	-	-	-	(25,461)
Food services	4,472	-	-	-	(4,472)
Pupil transportation	55,625	-	-	-	(55,625)
Operation of plant	39,293	-	-	-	(39,293)
Maintenance of plant	1,704	-	-	-	(1,704)
Community Services	209	-	-	-	(209)
Total governmental activities	<u>\$ 845,394</u>	<u>\$ -</u>	<u>\$ 9,649</u>	<u>\$ -</u>	<u>\$ (835,745)</u>

General Revenues	
State through local school district	517,991
Investment earnings	2,510
Miscellaneous revenues	101,293
Special items	9,270
Total General Revenues	<u>631,064</u>
Change in net assets	(204,681)
Net assets, July 1, 2007	56,344
Net assets, June 30, 2008	<u>\$ (148,337)</u>

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

Sunshine Elementary Charter School, Inc.
Balance Sheet - Governmental Funds
June 30, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 13,507	\$ -	\$ 13,507
Accounts Receivable	799	-	799
Total Assets	<u>\$ 14,306</u>	<u>\$ -</u>	<u>\$ 14,306</u>
LIABILITIES			
Salaries and Wages Payable	\$ 33,398	\$ -	\$ 33,398
Accounts Payable	567	-	567
Deferred Revenue	139,419	-	139,419
Total Liabilities	<u>173,384</u>	<u>-</u>	<u>173,384</u>
FUND BALANCES			
Unrestricted	(159,078)	-	(159,078)
Restricted	-	-	-
Total Fund Balances	<u>(159,078)</u>	<u>-</u>	<u>(159,078)</u>
Total Liabilities and Fund Balances	<u>\$ 14,306</u>	<u>\$ -</u>	<u>\$ 14,306</u>

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

Sunshine Elementary Charter School, Inc.
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

Fund Balance - Governmental Funds	\$	(159,078)
Deposits are not available to pay for current period expenditures and, therefore, are not reported in the funds		-
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$	11,879
Less accumulated depreciation		<u>(1,138)</u>
		<u>10,741</u>
Net Assets of Governmental Activites	\$	<u><u>(148,337)</u></u>

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

Sunshine Elementary Charter School, Inc.
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 Fund</u>	<u>Total</u>
REVENUES			
Federal passed through local school district	\$ -	\$ 9,649	\$ 9,649
State passed through local school district	530,991	-	530,991
Interest income	2,510	-	2,510
Other revenue	97,563	-	97,563
	<u>631,063</u>	<u>9,649</u>	<u>640,712</u>
TOTAL REVENUES	631,063	9,649	640,712
EXPENDITURES/EXPENSES			
Instruction	440,897	3,911	444,808
Pupil personnel services	58,918	-	58,918
Instructional media services	240	-	240
Instruction and curriculum development services	959	3,035	3,994
Instructional staff training	2,703	-	2,703
Board expenses	58,854	2,703	61,557
School administration	117,326	-	117,326
Facilities acquisition & construction	28,490	-	28,490
Fiscal services	25,461	-	25,461
Food services	4,472	-	4,472
Pupil transportation	55,625	-	55,625
Operation of plant	39,293	-	39,293
Maintenance of plant	1,704	-	1,704
Community Services	209	-	209
Total expenditures	<u>835,151</u>	<u>9,649</u>	<u>844,800</u>
Expenses over Revenues	(204,088)	-	(204,088)
Fund balances, July 1, 2007	<u>45,010</u>	<u>-</u>	<u>45,010</u>
Fund balances, June 30, 2008	<u><u>\$ (159,078)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (159,078)</u></u>

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

Sunshine Elementary Charter School, Inc.
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2008

Net Change in fund balances - governmental funds	\$	(204,088)
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Amounts reported for governmental activities in the statement of net assets are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$		
Less current year depreciation		(593)	(593)
Change in Net Assets of Governmental Activities	\$		(204,681)

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

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
NOTES TO FINANACIAL STATEMENTS
JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Sunshine Elementary Charter School, Inc. ("SEC") operates as a Charter School pursuant to a Charter School Contract ("the Contract") with the School District of Broward County, Florida ("the District"). Under the Contract, SEC provides an elementary school education to children who reside in Broward County. The governing body of SEC is the Board of Directors.

SEC is a non-profit organization and is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

The general operating authority of SEC is under Florida Statutes 228.056(7) as a Charter School Contract with the School Board of Broward County, Florida. Under the Charter, SEC provides education to children from kindergarten through the fifth grade in Broward County. The Contract is effective through June 2011.

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

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information on all of the nonfiduciary activities of SEC. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as SEC does not engage in any business type activities.

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets, restricted net assets; and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs SEC has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
NOTES TO FINANACIAL STATEMENTS
JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about SEC's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All of SEC's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government - wide presentation.

3. 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 recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

SEC's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. SEC reports the following major governmental funds:

General Fund — the general operating fund of SEC. It is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
NOTES TO FINANACIAL STATEMENTS
JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

When both restricted and unrestricted resources are available for use, it is SEC's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Budgetary basis of accounting

SEC's annual budgets are adopted for the entire operations for SEC and may be amended by the Board of Directors (the "Board"). Since the budgetary basis differs from generally accepted accounting principles ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. A reconciliation to deficiency of revenues under expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

5. Cash

Cash is made up of cash on hand at SEC and/or checking accounts held at a financial institution.

6. Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by SEC as assets with an initial individual cost of more than \$500 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. For the year ended June 30, 2008, SEC recorded net capital assets of \$10,741.

Property, plant and equipment of SEC is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Furniture, fixture and equipment	20

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

7. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District to SEC pursuant to the funding provisions included in SEC's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, SEC reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDE) for funding through the Florida Education Finance Program (FEFP).

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
NOTES TO FINANACIAL STATEMENTS
JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Revenue sources (continued)

Funding for SEC is adjusted during the year to reflect revised calculations by the FDE under the FEFP and actual weighted FTE students reported by SEC during designated FTE student survey periods.

SEC receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE B - CONCENTRATIONS

1. Revenue sources

As stated in Note A-7, SEC receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

<u>Sources</u>	<u>Amounts</u>
State funding through local district	\$ 530,991
Federal passed through	9,649
Other	<u>100,072</u>
	<u>\$ 640,712</u>

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE C – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance at June 30, 2008</u>
Capital assets depreciated:				
Furniture, fixtures and equipment	\$ 11,879	\$ -	\$ -	\$ 11,879
Total assets depreciated	<u>\$ 11,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,879</u>
Less Accumulated depreciation				
Furniture, fixtures and equipment	\$ 544	\$ 594	\$ -	\$ 1,138
Total assets depreciated	<u>\$ 544</u>	<u>\$ 594</u>	<u>\$ -</u>	<u>\$ 1,138</u>
 Total governmental activities				
Capital assets, net				<u>\$ 10,741</u>

Depreciation expense of \$594 was charged to the instruction function for the year ended June 30, 2008.

NOTE D – CASH AND INVESTMENTS

SEC maintains cash deposits at a bank in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$100,000. As of June 30, 2008, there were no uninsured deposit balances.

NOTE E - COMMITMENTS

SEC sub-leased property during the year for its administrative and classroom space under a non-cancelable operating lease that expires in June 30, 2009.

Future minimum lease payments required under the lease agreements are approximately as follows:

	<u>Premises</u>
June 30:	
2009	\$ 25,200

NOTE F - RISK MANAGEMENT

SEC is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. SEC purchases commercial insurance for all material risks of loss to which SEC is exposed, including general liability, property and workers compensation.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
NOTES TO FINANACIAL STATEMENTS
JUNE 30, 2008

NOTE G - STATE RETIREMENT PROGRAM

Plan Description

All full time employees of the School are covered by the Florida Retirement System (FRS), a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). SEC contributed \$35,178 during the year ending June 30, 2008 to the FRS on behalf of its employees. The Plan provisions are established by Chapter 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the Plan. Benefits vest at six years of service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (DROP) was established effective July 1, 1998, subject to provisions of Section 121.091, Florida Statutes. It permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payment while continuing employment with a Florida Retirement System employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

The Plan's financial statement and other supplemental information are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the Florida Department of Financial Services in Tallahassee, Florida. Also an annual report on the Plan, which includes its financial statements, required supplemental information, actuarial report, and other relevant information, may be obtained from the State of Florida, Division of Retirement in Tallahassee, Florida.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
 NOTES TO FINANACIAL STATEMENTS
 JUNE 30, 2008

NOTE G - STATE RETIREMENT PROGRAM (continued)

Funding Policy

The contribution rates for Plan members are established, and may be amended, by the State of Florida. During the 2008 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer
		(A)
Florida Retirement System, Regular	0.00	9.85
Teachers' Retirement System, Plan E	6.25	11.35
State and County Officers and Employees' Retirement System, Plan B	4.00	9.10
Deferred Retirement Option Program - Applicable to		
Florida Retirement System	-	10.91
Teachers' Retirement System	-	10.91
State and County Officers and Employees	-	9.33
Florida Retirement System, Re-employed Retiree	(B)	(B)

Notes: (A) Employer rate includes 1.11 percent for the post-employment health insurance supplement.

NOTE H – GOING CONCERN

These financial statements are presented on the basis that SEC will continue as a going concern. As reported in the financial statements, SEC reflected a deficit fund balance of \$(159,078), a deficit net assets balance of \$(148,337) along with a decrease in net assets for the year ended June 30, 2008 of \$204,681. Management is working with SEC and the School Board of Broward County to see how the deficit can be rectified. These financial statements do not include any adjustments that might be necessary if the Academy is unable to continue as a going concern.

NOTE I – SUBSEQUENT EVENT

Effective July 1, 2008, SEC contracted with The Leona Group to be responsible for and accountable to the board of SEC for the administration, operation and performance of SEC.

REQUIRED SUPPLEMENTAL INFORMATION

Sunshine Elementary Charter School, Inc.
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008
(Unaudited)

	Governmental Funds				Special Revenue Fund		Totals	
	Original and Final Budget	General Fund	Variance	Budget	Special Revenue Fund	Variance	Budget	Governmental Funds
Revenues								
Federal passed through local school district	\$ -	\$ -	\$ -	\$ 40,000	\$ 9,649	\$ 30,351	\$ 40,000	\$ 9,649
State passed through local school district	571,332	530,991	40,342	-	-	-	571,332	530,991
Interest income	632	2,510	(1,878)	-	-	-	632	2,510
Other revenue	134,495	97,563	36,933	-	-	-	134,495	97,563
Total revenues	706,459	631,063	75,396	40,000	9,649	30,351	746,459	640,712
Expenses								
Instruction	398,188	440,897	(42,709)	14,750	3,911	10,839	412,938	444,808
Pupil personnel services	-	58,918	(58,918)	-	-	-	-	58,918
Instructional media services	-	240	(240)	-	-	-	-	240
Instruction and curriculum development services:	-	959	(959)	-	3,035	(3,035)	-	3,994
Instructional staff training	-	2,703	(2,703)	-	-	-	-	2,703
Board expenses	59,043	58,854	189	2,880	2,703	177	61,923	61,557
School administration	144,213	117,326	26,887	30,075	-	30,075	174,288	117,326
Facilities acquisition & construction	36,437	28,490	7,947	-	-	-	36,437	28,490
Fiscal services	27,748	25,461	2,287	-	-	-	27,748	25,461
Food services	2,716	4,472	(1,756)	-	-	-	2,716	4,472
Pupil transportation	43,150	55,625	(12,475)	-	-	-	43,150	55,625
Operation of plant	12,940	39,293	(26,353)	-	-	-	12,940	39,293
Maintenance of plant	5,258	1,704	3,554	-	-	-	5,258	1,704
Community Services	149	209	(60)	-	-	-	149	209
Total expenses	729,842	835,151	(105,309)	47,705	9,649	38,056	777,547	844,800
Expenditures over Revenues	\$ (23,383)	(204,088)	180,705	(7,705)	-	(7,705)	(31,088)	(204,088)
Fund Balance, July 1, 2007		45,010	-	-	-	-	-	45,010
Fund Balance, June 30, 2008	\$ (23,383)	(159,078)	\$	\$	\$	(7,705)	(31,088)	(159,078)

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



Members of:

- American Institute of CPAs
 - Center for Public Company Audit Firms
 - Tax Division
 - Personal Financial Planning Section
- Florida Institute of CPAs
- National Associated Certified Public Accounting Firms

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**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***

To the Board Members of
Sunshine Elementary Charter School, Inc.
Hollywood, Florida

We have audited the basic financial statements of the Sunshine Elementary Charter School, Inc., ("SEC") as of and for the year ended June 30, 2008, and have issued our report thereon dated September 28, 2008. 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 of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered SEC'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 SEC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SEC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or 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 SEC'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 SEC's financial statements that is more than inconsequential will not be prevented or detected by SEC's internal control.

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 SEC'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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SEC'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 SEC, in a separate letter dated September 28, 2008.

This report is intended solely for the information and use of the Board of Directors, management, regulatory agencies of federal and state governments and the School Board of Broward County. It is not intended to be and should not be used by anyone other than these specified parties.



September 28, 2008
Hollywood, Florida



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• Tax Division
• Personal Financial Planning Section
Florida Institute of CPAs
National Associated Certified Public Accounting Firms

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MANAGEMENT LETTER

To the Board of Directors
Sunshine Elementary Charter School, Inc.
Hollywood, Florida

We have audited the basic financial statements of the Sunshine Elementary Charter School, Inc. ("SEC") as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated September 28, 2008.

We issued our Report on Internal Control Over Financial Reporting and On Compliance and Other Matters dated September 28, 2008. Disclosures in that report, if any, should be considered in conjunction with this management letter.

The discussion required by the rules of the Auditor General follows:

1. Recommendations were made and violations were reported in the preceding annual financial audit report. Comment 07-1 from the prior year audit has been corrected. As recommended, SEC opened an additional bank account to handle local transactions that does not require intervention of the management company. Comment 07-2 from prior year audit has been corrected. SEC now utilizes a system that allows all authorized parties to view a scanned image of all invoices via the internet. Comment 07-3 from the prior year audit has been corrected. As recommended, SEC established a written agreement to document the cost sharing of certain individuals paid from SEC in order to clarify reimbursement amounts.
2. There were no violations of laws, rules, regulations, and contractual provisions that: (1) have occurred, or are likely to have occurred and (2) were discovered within the scope of the financial audit
3. Please see the attached recommendations to improve the charter school's present financial management, accounting procedures and internal controls.
4. There were no illegal or improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.

5. There were no matters requiring correction which may or may not materially affect the financial statements reported on, including, but not limited to:
 - Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
 - Failures to properly record financial transactions.
 - Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.
6. The official title of SEC is *Sunshine Elementary Charter School, Inc.*, which is a component unit of the School District of Broward County, which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Act, and Section 228.056, Florida Statutes.
7. In connection with our audit, we determined that the Sunshine Elementary Charter School, Inc. met the condition described in Section 218.503(1)(e), Florida Statutes. Sunshine Elementary Charter School, Inc. reported a deficit unreserved fund balance of \$(159,078) as of June 30, 2008. The financial emergency condition met was the result of deteriorating financial conditions. Such deteriorating financial conditions are further discussed in Finding 08-1 of this report.

This management letter is intended for the information of the Sunshine Elementary Charter School, Inc.'s 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. However, this report is a matter of public record, and its distribution is not limited.

Infante + Company

September 28, 2008
Hollywood, Florida

Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls

08-1 Financial Emergency

As stated earlier, we determined that Sunshine Elementary Charter School, Inc. met the condition described in Section 218.503(1)(e), Florida Statutes. The financial emergency condition met was the result of deteriorating financial conditions. SEC reported a deficit unreserved fund balance of \$159,078 and a deficit of net assets of \$148,337. SEC received implementation grant funds during the year that were used for purposes other than those budgeted for in the grant. SEC will be required to file a detailed financial recovery plan with its sponsor within 30 days after receipt of the audited financial statements.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
2210 PIERCE STREET
HOLLYWOOD, FLORIDA 33020

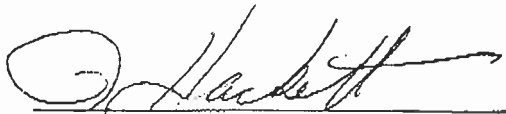
September 29, 2008

To School District of Broward County:

The following is our response to the management letter dated September 28, 2008, and each response is numbered consistently with the numbers assigned in the management letter:

08-1 Financial Emergency

The Board is arranging for an infusion of cash to make the payments that are required to meet the terms of the Implementation Grant that was awarded to the school, and also to meet its additional liabilities recorded as of June 30, 2008. It has also increased its enrollment and aligned its budget so that it is projecting a balanced budget for the 2008-09 fiscal year.



Chair, Board of Directors
Sunshine Elementary Charter School, Inc.