

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

GENERAL-PURPOSE FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
FOR YEAR ENDED JUNE 30, 2009

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

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INDEPENDENT AUDITORS' REPORT

September 24, 2009

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

We have audited the accompanying financial statements of the governmental activities and each major fund of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc., a component unit of the Duval County District School Board, (a nonprofit organization) as of and for the year ended June 30, 2009, which collectively comprise S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.'s basic financial statements as listed in the table of contents. These financial statements are the responsibility of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.'s management. 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 (July 2007 Revision)*, 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 S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc., as of June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Member of AICPA and FICPA
Partners

Nicholas T. Simonic • Sean M. Simonic • Joanne F. Ratnecht

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 2009, on our consideration of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.


Simonie, Simonie, Ratnecht & Associates, Inc.
Jacksonville, Florida

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

Our discussion and analysis of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.'s (The School) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

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

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

Overall revenues increased by approximately \$334,322 for the year ended June 30, 2009, due to increase funding provided to the School by the State and additional Education Act Title I funding. The increase in funding provided to the school for teachers salaries, school's supplies, and student's coaches was due to an increase in students during the 2008-2009 school year.

Overall expenditures increased by approximately \$214,600 for the year ended June 30, 2009. Due to the anticipated increase in federal, state, and local funding, the school increased its overall expenditures.

USING THIS ANNUAL REPORT

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

Government-wide Financial Statements

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

Statement of Net Assets:

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

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

USING THIS ANNUAL REPORT – Continued

Statement of Net Assets – Continued:

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

Statement of Activities:

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

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

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

Fund Financial Statements

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

THE SCHOOL'S FUNDS

Government Fund Type

Most of the School's basic services are reported in governmental funds, 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 that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's general government operations and the basic services it provides.

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

THE SCHOOL'S FUNDS – Continued

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

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

CHANGE IN NET ASSETS

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

	Governmental Activities
Current assets	\$ 22,775
Capital assets, net of accumulated depreciation	<u>1,535,494</u>
Total assets	<u>1,558,269</u>
Total liabilities	117,436
Invested in capital assets	1,517,394
Unrestricted net assets	<u>(76,561)</u>
Total net assets	<u>1,440,833</u>
Total liabilities and net assets	<u>\$ 1,558,269</u>

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

CHANGES IN NET ASSETS – Continued:

	Governmental Activities
Federal Revenues	\$ 209,803
State Revenues	1,974,404
Local Sources	38,737
Other Local Sources	99,899
 Total Revenue	 2,322,843
 Operating Expenses	 2,306,108
Capital Outlay	64,801
Obligation Under Capital Lease	(11,130)
 Total Expenses	 2,359,779
 Change in net assets	 (36,936)
 Net assets at the beginning of the year	 1,472,831
Prior period adjustment – Note 6	4,938
 Net assets at the end of the year	 \$ 1,440,833

Net assets of the School's governmental activities decreased to \$1,440,833 since the prior year. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

The total ending net assets of governmental activities for the current year shows a decrease of \$36,936 from the prior year. This decrease is a result of higher costs of food and transportation SOS Academy incurred during the year.

During 2009 audit the auditor noted that an operating lease was incorrectly classified as a capital lease. A phone equipment lease was begun September 2005 and will terminate in October 2010. Prior period adjustments were made to capital assets and long term liability accounts, along with an adjustment to the corresponding depreciation and adjustment in principal payments as of June 30, 2009. The total net effect on Operations resulting from these adjustments was \$4,938.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant variances from budget to actual are described as follows:

Budget / Actual – General Fund

The Local Sources Revenue budget of \$79,000 was lower than the actual revenues because the School budget did not take into account a new Grant the School received with M.A.D. D.A.D.S. a nonprofit organization dedicated to community service. The agreement with M.A.D. D.A.D.S. was signed in March of 2009 and the first contribution was received in April 2009. M.A.D. D.A.D.S. contributions were made to involve students and staff of SOS Academy in community service activities during the year.

Budget / Actual – General Fund

The Instructional expenditure budget of \$867,387 was higher than actual expenditures due to the fact that SOS Academy had more students in the beginning of the year than at the end of it. The number of students in 2008-2009 increased compared with 2007-2008 school year but it was lower at the end of the year than it was originally estimated.

Budget / Actual – General Fund

The Operation of Plant expenditure budget of \$146,734 was lower than actual expenditures because additional funds were spent on electricity communications due to repairs needed after lightning struck a poll on the school grounds. The increase in electricity charges is also due to the increase in students for the year.

Budget / Actual – General Fund

The School did not budget any expenditures for Community Services. Community Service expenditures were related to M.A.D. D.A.D.S. activities and accounted for completion of 2007-2008 grant year and starting of new 2008-2009 grant year.

Budget / Actual – General Fund

The Maintenance of Plant expenditure budget of \$154,254 was lower than actual expenditures due to the unexpected repairs, maintenance and renovations required to keep the school building operational and the increase in utilities and insurance costs.

Budget / Actual – Special Revenue Fund

The Food Services expenditure budget of \$132,862 was lower than actual expenditures due to the increase in the cost of food per student and due to the increase in the number of students the School had during 2008-2009 school year.

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

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

CAPITAL ASSETS

The School's investment in capital assets, net of accumulated depreciation, for the general fund at June 30, 2009, was \$1,535,494. The total decrease from the prior year in this net investment was 2.87%. Major capital asset events during the current fiscal year included retirement of the furniture, equipment, computer hardware and software that were no longer used in operations. A prior period adjustment was made to record a capital phone equipment lease that was incorrectly treated as an operating lease in the prior years.

The following schedule represents changes in fixed assets for the period ending June 30, 2009:

	Net Book Assets and Prior Period Adjustment at 6/30/2008	Additions	Disposals	Accumulated Depreciation	Net Book Assets at 6/30/2009
Land improvements	\$ 91,500			\$ (2,500)	\$ 89,000
Buildings and improvements	1,232,801			(62,166)	1,170,635
Furniture and equipment	92,460	\$ 8,598	\$(21,074)	(5,723)	74,261
Capital lease	33,026			(7,825)	25,201
Computer software	12,733		(1,243)	(4,965)	6,525
Improvements other than building	135,675	43,815		(11,368)	168,122
Building improvements	2,100			(350)	1,750
Total capital assets	\$ 1,600,295	\$ 52,413	\$(22,317)	\$ (94,897)	\$ 1,535,494

S.O.C.K.. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Component Unit Activities</u>	<u>Total</u>
ASSETS		
Cash	\$ 7,864	\$ 7,864
Due from agency	14,911	14,911
Capital assets, net of accumulated depreciation	<u>1,535,494</u>	<u>1,535,494</u>
Total Assets	<u><u>1,558,269</u></u>	<u><u>1,558,269</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable	54,336	54,336
Obligations under capital lease	12,316	12,316
Line of credit	<u>45,000</u>	<u>45,000</u>
Total Current Liabilities	111,652	111,652
Non-current Liabilities		
Obligations under capital lease	<u>5,784</u>	<u>5,784</u>
Total Non-current Liabilities	<u>5,784</u>	<u>5,784</u>
Total Liabilities	<u>117,436</u>	<u>117,436</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,517,394	1,517,394
Unrestricted net assets (deficit)	<u>(76,561)</u>	<u>(76,561)</u>
Total Net Assets	<u><u>\$ 1,440,833</u></u>	<u><u>\$ 1,440,833</u></u>

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

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

FUNCTIONS	Program Revenues			Net (Expense) Revenues & Changes in Net Assets - Component Unit	
Component Unit Activities:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Instruction	\$ (810,132)				\$ (810,132)
Pupil personnel services	(128,030)				(128,030)
Instructional media services	(7,731)				(7,731)
Instruction and curriculum development	(94,611)				(94,611)
Instruction and staff training	(110,250)				(110,250)
Board	(2,109)				(2,109)
School administration	(337,279)				(337,279)
Fiscal services	(96,081)				(96,081)
Food services	(159,440)		\$ 109,586		(49,854)
Pupil transportation services	(160,943)		86,194		(74,749)
Operation of plant	(188,637)				(188,637)
Maintenance of plant	(184,294)				(184,294)
Community service	(74,976)				(74,976)
Interest on long-term debt	(5,266)				(5,266)
Total Component Unit	\$ (2,359,779)		\$ 195,780		\$ (2,163,999)
General Revenues:					
Grants and Contributions Not Restricted to Specific Programs					\$ 2,127,063
Total General Revenues					2,127,063
Change in Net Assets					(36,936)
Net Assets - Beginning of Year					1,472,831
Prior period adjustment					4,938
Net Assets - End of Year					\$ 1,440,833

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

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

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

ASSETS	General Fund	Special Revenue Fund	Total Governmental Funds
Cash	\$ 4,963	\$ 2,901	\$ 7,864
Due from agency	14,911		14,911
Due from special revenue fund	53,941		53,941
Total Assets	\$ 73,815	\$ 2,901	\$ 76,716
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 31,994	\$ 22,342	\$ 54,336
Due to general fund	-	53,941	53,941
Line of credit	-	45,000	45,000
Total Liabilities	31,994	121,283	153,277
Fund Balance:			
Unreserved	41,821	(118,382)	(76,561)
Total Fund Balance (Deficit)	41,821	(118,382)	(76,561)
Total Liabilities and Fund Balances	73,815	2,901	76,716
Total Governmental Fund Balance			\$ (76,561)
Capital assets used in governmental activities are that are not reported in the fund financial statements			1,535,494
Long-term liabilities, including obligations under capital lease, not reported in the fund financial statements			(18,100)
Net Assets from Governmental Activities			\$ 1,440,833

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

REVENUES	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Federal through state revenue	\$ 138,954	\$ 70,849	\$ 209,803
State sources	1,974,404	0	1,974,404
Local sources	<u>99,899</u>	<u>38,737</u>	<u>138,636</u>
Total revenue	<u>2,213,257</u>	<u>109,586</u>	<u>2,322,843</u>
EXPENDITURES			
Current:			
Instructional	728,331	0	728,331
Pupil personnel services	124,524	0	124,524
Instructional media services	5,394	0	5,394
Instructional and curriculum development	110,228	0	110,228
Instructional and staff training	120,662	0	120,662
Board	2,109	0	2,109
School administration	333,773	0	333,773
Fiscal services	93,744	0	93,744
Food services	0	153,597	153,597
Pupil transportation	171,355	0	171,355
Operation of plant	171,108	0	171,108
Maintenance of plant	199,911	0	199,911
Community service	74,976	0	74,976
Debt service:			
Principal	11,130	0	11,130
Interest and fiscal charges	<u>5,266</u>	<u>0</u>	<u>5,266</u>
Total Expenditures	<u>2,152,511</u>	<u>153,597</u>	<u>2,306,108</u>
Excess (deficiency) of revenues over expenditures	60,746	(44,011)	16,735
Fund balances (deficits), beginning of year	<u>(18,925)</u>	<u>(74,371)</u>	<u>(93,296)</u>
Fund balances (deficits), end of year	<u>\$ 41,821</u>	<u>\$ (118,382)</u>	<u>\$ (76,561)</u>

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

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

RECONCILIATION OF GOVERNMENTAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Excess of revenues over expenditures	\$ 16,735
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlays.	(64,801)
Obligations under capital leases used in governmental activities are not financial resources, and therefore, are not reported in the funds.	<u>11,130</u>
Change in Net Assets of Governmental Activities	<u>\$ (36,936)</u>

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

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

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES				
Federal through state revenue	\$ 138,954	\$ 138,954	\$ 138,954	\$ -
State sources	2,025,852	1,988,209	1,974,404	(13,805)
Local sources	79,000	79,000	99,899	20,899
Total revenues	2,243,806	2,206,163	2,213,257	7,094
EXPENDITURES				
Education:				
Instructional	862,459	867,387	728,331	139,056
Pupil personnel services	131,685	131,685	124,524	7,161
Instructional media services	19,040	19,040	5,394	13,646
Instructional and curriculum development	110,723	110,723	110,228	495
Instructional staff training services	120,630	120,630	120,662	(32)
Board			2,109	(2,109)
School administration	314,531	314,531	333,773	(19,242)
Fiscal services	127,999	127,999	93,744	34,255
Pupil transportation	190,000	172,000	171,355	645
Operation of plant	163,034	146,734	171,108	(24,374)
Maintenance of plant	132,754	154,254	199,911	(45,657)
Community services	-	-	74,976	(74,976)
Debt service:				
Principal	29,000	11,818	11,130	688
Interest and fiscal charges	6,000	6,000	5,266	734
Total Expenditures	2,207,855	2,182,801	2,152,511	30,290
Excess of revenues over (under) expenditures	35,951	23,362	60,746	37,384
Fund balances (deficits), beginning of year	(18,925)	(71,590)	(18,925)	52,665
Fund balances (deficits), end of year	\$ 17,026	\$ (48,228)	\$ 41,821	\$ 90,049

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

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

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Federal through state revenue	\$ 61,500	\$ 70,800	\$ 70,849	\$ 49
Local sources	35,000	38,700	38,737	37
Total revenues	96,500	109,500	109,586	86
EXPENDITURES				
Education:				
Food services	132,451	132,862	153,597	(20,735)
Total Expenditures	132,451	132,862	153,597	(20,735)
Excess of revenues over (under) expenditures	(35,951)	(23,362)	(44,011)	(20,649)
Fund balances (deficits), beginning of year	(74,371)	(74,371)	(74,371)	0
Fund balances (deficits), end of year	\$ (110,322)	\$ (97,733)	\$ (118,382)	\$ (20,649)

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

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

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

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

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

Basis of Presentation

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

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT SCHOOL
BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued:

GOVERNMENTAL FUND TYPES

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

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

Basis of Accounting

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

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

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

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board. The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Inter-governmental revenue is recognized as soon as all eligibility requirements imposed by the provider have been met.

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

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued:

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay).

Federal Income Taxes

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

Use of Estimates

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

Cash Equivalents

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

Fixed Assets and Depreciation

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

Net Asset and Fund Equity

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

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued:

Revenue Sources

Revenues for current operations are received primarily from the Duval County District School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33 (17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

The School received federal awards for the enhancement of various education programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards, in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

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

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

2. CASH

The total carrying amount of the School's bank balances, per the bank statements, was \$8,010.37 at June 30, 2009. Deposits are placed in banks that qualify as public depositories pursuant to the provisions of Chapter 280, Florida Statutes, of the Florida Security for Public Deposits Act. Financial institutions qualifying as public depositories are required by this law to deposit with State Treasurer eligible collateral equal to or in excess of the required collateral for the depository. The State Treasurer, by rule, shall establish minimum required collateral pledging level. Each qualified public depository shall calculate the amount of its required collateral based upon certain formulas. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

2. CASH – Continued:

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

For purposes of these financial statements, cash and cash equivalents are considered cash in the bank, demand deposits and short-term investments with maturities of less than 90 days.

The School's cash consists of demand deposits with financial institutions, which are insured by federal depository insurance. As of June 30, 2009, all of the School's balances were insured by FDIC.

3. BANK ACCOUNTS:

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

4. CHANGES IN FIXED ASSETS:

At June 30, 2009, the cost and related current accumulated depreciation of general fixed assets consisted of the following:

	Net Book Assets and Prior Period Adjustment at 6/30/2008	<u>Additions</u>	Disposals Net of Their Accumulated Depreciation	Current Accumulated Depreciation	Net Book Assets at 6/30/2009
Land improvements	\$ 91,500			\$ (2,500)	\$ 89,000
Buildings and improvements	1,232,801			(62,166)	1,170,635
Furniture and equipment	92,460	\$ 8,598	\$ (45)	(26,752)	74,261
Capital lease	33,026			(7,825)	25,201
Computer software	12,733		(310)	(5,898)	6,525
Improvements other than Building	135,675	43,815		(11,368)	168,122
Building improvements	2,100			(350)	1,750
Total capital assets	<u>\$1,600,295</u>	<u>\$ 52,413</u>	<u>\$ (355)</u>	<u>\$ (116,859)</u>	<u>\$ 1,535,494</u>

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

4. CHANGES IN FIXED ASSETS – Continued:

Depreciation expense was charged to functions as follows:

	Amount
Governmental activities:	
Basic instruction	\$ 81,801
Pupil personnel services	3,506
Instructional media services	2,337
School administration	3,506
Fiscal services	2,337
Food services	5,843
Operations of plant	17,529
Total governmental activities' depreciation expense	\$ 116,859

5. LINE OF CREDIT:

The School has a revolving line of credit from SunTrust Bank to fund the special revenues fund related to student lunch costs not covered by federal and state revenues. At June 30, 2009, there were borrowings outstanding in the amount of \$45,000 with interest only payments due monthly. Variable interest rate was averaging 5.25% throughout 2008-2009 School Year. The balance is due upon demand.

6. PROPERTY UNDER CAPITAL LEASE:

A capital lease was incorrectly classified as an operating lease in September 2005. The phone equipment lease has one dollar purchase option and therefore, the School is the owner of the equipment under lease. A prior period adjustment was made to record capital asset at its cost of \$27,020, total accumulated depreciation of \$7,656 and the corresponding liability of \$14,426. The net effect of the correction on operations during the 2009 fiscal year is \$4,938. There is no effect the restatement had on the beginning fund balance. The net effect of the restatement on operations during the 2008 fiscal year is \$2,431.

The class and amount of property acquired under capital leases are as follows:

	Asset Balance
Copier lease with interest rate of 7.23%, secured by the equipment, with interest and principal payments of \$510.00 maturing in February 2011	\$ 9,583
Equipment lease with interest rate of 7.12%, secured by the equipment with interest and principal payments of \$610.64 maturing in September 2010	8,517
Total	\$ 18,100

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

6. PROPERTY UNDER CAPITAL LEASE – Continued:

Future installments and present value of the payments as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 12,316	\$ 1,132	\$ 13,448
2011	5,784	127	5,911
Thereafter	<u>0</u>	<u>0</u>	<u>0</u>
Total Obligation under Capital Lease	<u>\$ 18,100</u>	<u>\$ 1,259</u>	<u>\$ 19,359</u>

7. CHANGES IN GENERAL LONG-TERM DEBT:

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

	<u>Balance June 30, 2008</u>	<u>Prior Period Adjustments</u>	<u>Principal Payments and Refinancing Charges</u>	<u>Balance June 30, 2009</u>
Copier lease	14,804		5,221	9,583
Equipment lease		14,426	5,909	8,517
Total	<u>\$ 14,804</u>	<u>\$ 14,426</u>	<u>\$ 11,130</u>	<u>\$ 18,100</u>

8. OPERATING LEASES:

Minimum lease payments required as of June 30, 2009

School facilities lease; with original term of 60 months and 24 remaining monthly payments of \$2,008.38 per month and maturing July 31, 2011. \$ 48,201

Total amount of minimum payments over the life of the operating lease \$ 48,201

The following is a schedule by years of future minimum rental payments required under lease that has initial or remaining non-cancelable lease term in excess of one year as of June 30, 2009.

Operating lease minimum payments schedule	<u>Operating Leases</u>
2010	24,100
2011	24,101
Thereafter	<u>0</u>
Total minimum payments	<u>\$ 48,201</u>

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

8. OPERATING LEASES – Continued:

The following are the rental expenditures for the year:

Rent of facilities	24,100
Storage rent (month to month basis)	<u>6,649</u>
Total Rent Expense	<u><u>\$ 30,749</u></u>

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

September 24, 2009

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

We have audited the financial statements of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc., a Charter School and Component Unit of The Duval County District School Board (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 24, 2009. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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

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

Simonic, Simonic, Ratnecht & Associates, Inc.

Simonic, Simonic, Ratnecht & Associates, Inc.

Jacksonville, Florida

SIMONIC

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

MANAGEMENT LETTER

September 24, 2009

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

In planning and performing our audit of the financial statements of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc. for the year ended June 30, 2009, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect S.O.S. Academy's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following issues related to internal control were noted:

- 1) S.O.S. Academy has a deficit balance in the net assets of the Governmental Funds in the amount of \$76,561. The deficit decreased by approximately \$16,735 during the 2008-2009 School year. If a charter school has net deficit, the State of Florida considers it to be a financial emergency and needs to be promptly addressed by the School's management.

Recommendation:

S.O.S. Academy's management should continue to review expenses that are under-budgeted and make appropriate adjustments, insuring that there are funds available to cover actual expenses made.

Member of AICPA and FICPA
Partners

Nicholas T. Simonc • Sean M. Simonc • Joanne F. Ratnecht

The School reduced the net deficit during 2008-2009, but it should continue to seek additional funding from Federal and State Governments, perform fundraising activities in the community, and reduce under budgeted expenses as much as possible in order to decrease and eventually eliminate the outstanding deficit balance in the Governmental Funds.

- 2) During our audit, we noted that according to a contract with the Duval County School Board, the S.O.S. Academy must have Professional Liability Insurance of \$1,000,000. The School did not carry professional liability insurance throughout the year.

Recommendation:

We recommend that the S.O.S. Academy should obtain several quotes from insurance companies offering professional liability insurance. The School's management should select an appropriate policy with required insurance terms, and purchase it as soon as possible to be in compliance with their contract with the Duval County School Board.

- 3) We noted that some of the invoices are recorded when paid and not when received. It results in understatement of expenses and liabilities and makes it difficult for management to track its compliance with the school's budget.

Recommendation:

S.O.S. Academy should record all invoices when received and record the date it pays bills on the "Paid" stamp when it marks paid invoices. Most of the invoices are paid timely; however, some of the invoices for items and services acquired in May and June were paid in July and August 2009. Management should review unpaid invoices and record expenses and liabilities resulting from them on the monthly basis. This will make accounting records more accurate and will provide S.O.S. Academy's management with more meaningful financial reporting.

- 4) During the audit we discovered that one of the employee's file had a I-9 Employment Eligibility Form that was not signed by the Human Resources Personnel. It's critically important to document legal identification forms, such as driver's licenses and social security card information, and sign and date the I-9 form. It's not required to have a copy of driver license and social security card in employees' files; however, if copies are made they should be attached with I-9 form in accordance with instructions on completion of this form.

Recommendation:

We recommend that the S.O.S. Academy review all employee files and sign all Employment Eligibility Forms that are not signed.

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Partners

Nicholas T. Simonic • Sean M. Simonic • Joanne F. Ratnecht

Per our review of a sample of randomly selected employee files, S.O.S. Academy had all of the required documentation in all employee files aside from information noted above.

Prior period management letter comments were addressed by the School management and auditors were satisfied with the progress made by the school related to prior year comments, except for comment number one. S.O.S. Academy continues to carry a deficit, and needs to continue to work on reduction of it in the subsequent school year. The auditors have no other comments related to prior year's management comments.

A material weakness is a reportable condition, in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud, in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period, by employees in the normal course of performing their assigned functions. None of the above issues are deemed material weaknesses.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above are believed to be a material weakness.

The following disclosure is made pursuant to the Chapter 218.39 and Audit General Rules Chapter 10.804(1)(d) and Chapter 10.854(1)(e). In connection with our audit, we determined that SOS Academy did not meet one or more of the conditions described in Section 218.503(1), Florida Statutes. Although the SOS Academy reported a deficit in unrestricted net assets of \$76,561, as of June 30, 2009, the S.O.S. Academy had unrestricted capital assets available to cover the reported deficit, and the disposal of such assets should not impair the SOS Academy's ability to carry on its functions. All of the School's financial policies and procedures appear to be in compliance with State and Federal rules and regulations. The School has made satisfactory corrections of prior years internal controls issues that were stated in the management letter and the prior period audit report.

Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the S.O.C.K. Outstanding Students (S.O.S.) Academy'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. We noted that the S.O.C.K. Outstanding Students (S.O.S.) Academy had no deteriorating financial condition during fiscal year ended June 30, 2009.

Member of AICPA and FICPA
Partners

Nicholas T. Simonik • Sean M. Simonik • Joanne F. Rutnecht

With respect to the Chapter 218.415 of the Florida statutes the auditor found that the School's finances and investment policies were in agreement with the statutory requirements. As of June 30, 2009, the School had no investments.

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

Sincerely,

A handwritten signature in cursive script that reads "Simonic, Simonic, Ratnecht + Associates, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Simonic, Simonic, Ratnecht and Associates, Inc.
Jacksonville, Florida

Member of AICPA and FICPA
Partners

Nicholas T. Simonic • Sean M. Simonic • Joanne F. Ratnecht

Charter School



SCHOOL OF SUCCESS ACADEMY

Genell M. Mills
Principal

Corrective Action Plan
October 5, 2009

Chairman

Ruby George
Executive VP, OTU

Vice Chairman

Caris Johnson
President, Sweetwater Community Assoc.

Treasurer

Narlene McLaughlin
Director of Administration, Potter's House

Secretary

Tommy Sampson
Ret., School Teacher

BOARD OF DIRECTORS

Donald Foy
Frederick McClendon

HONORARY MEMBER

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

EX-OFFICIO

Genell Mills

MOTTO

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

Board of Directors

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

S.O.C.K. Outstanding Students (SOS) Academy, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2009.

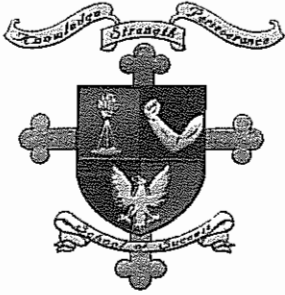
Simonc, Simonc, Ratnecht and Associates, Inc.
8750 Perimeter Park Boulevard
Jacksonville, Florida 32216
Audit Period: June 30, 2009

Comment: The auditor noted that SOS Academy has a deficit balance in the net assets of the Governmental Funds. The deficit decreased in 2008-2009 School year. If a Charter School has a total fund balance deficit, it is considered to be a financial emergency by the State of Florida and needs to be promptly addressed by the School's management.

Recommendation: SOS Academy's management should continue to review expenses that are under-budgeted and make appropriate adjustments, insuring that there are funds available to cover expenses made. The School reduced the net deficit during 2008-2009, but it should continue to seek additional funding from Federal and State Governments, perform fundraising activities in the community, and reduce under budgeted expenses as much as possible in order to decrease and eventually eliminate the outstanding deficit balance in the Governmental Funds.

Action: SOS Academy's management will continue to reduce its net deficit by freezing salaries in 2009-2010 school year, aggressively continuing to market the school to community and business' within the school's geographical boundaries. In 2008-2009 there were two local business, Food Lion, and Hardee's who where not able solidify Corporate Sponsorship because of economic factors but agreed to provide the school with food items for school functions, i.e. Opeu House, Orientation(s) and school dances for the 2009-2010 school year and revisit corporate sponsorship at a later time. School will continue to generate additional revenues through school wide fundraisers and grant opportunities.

Charter School



SCHOOL OF SUCCESS ACADEMY

Genell M. Mills
Principal

Comment: The auditor noted that Professional Liability Insurance was not carried during the 2008-2009 school year.

Recommendation: Auditor recommends that SOS Academy should obtain several quotes from insurance companies offering professional liability insurance. School's management should select an appropriate policy with required terms and purchase it as soon as possible.

Action: SOS Academy changed insurance Agents within the school year. SOS failed to check behind agent to make sure that all policies had been changed. SOS concurs with auditor and has submitted Professional Liability Insurance Application to Agent to expedite renewal immediately.

Comment: Auditor noted that some invoices were recorded when paid and not when received. It resulted in an understatement of some of schools expenses and liabilities and makes it difficult for management to track its compliance with the school's budget.

Recommendation: SOS Academy should record all invoices when received and record the date bill was paid. Most of the invoices are paid timely; however it was noted that some invoices for items and services acquired in May and June were paid in July and August of 2009. Management should review unpaid invoices and record expenses and liabilities resulting from them on a monthly basis. This will make accounting records more accurate and will provide SOS Academy's management with more meaningful financial reporting.

Action: SOS Academy concurs with the auditors' recommendation, and will make sure that invoices are recorded and reviewed in a timely manner.

Comment: Auditor noted that during the audit it was discovered that one of the employee's file had an I-9 Employment Eligibility Form that was not signed by the Human Resources Personnel. It is critically important to document legal identification forms such as driver's licenses and social security card information, and sign and date the I-9 form. It's not required to have a copy of driver license and social security card in employees' files; however, if copies are made they should be attached with the I-9 form in accordance with instructions on completion of this form.

Recommendation: Auditor recommends that SOS Academy review all employee files and sign all Employment Eligibility Forms that are not signed. Per or review of a sample of randomly selected employee files, SOS Academy had all of the required documentation in all employee files aside from the information noted above.

Chairman

Ruby George
Executive VP, OTU

Vice Chairman

Curtis Johnson
President, Sweetwater Community Assoc.

Treasurer

Naclene McLaughlin
Director of Administration, Potter's House

Secretary

Tommy Sampson
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BOARD OF DIRECTORS

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

EX-OFFICIO

Genell Mills

MOTTO

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

Charter School



SCHOOL OF SUCCESS ACADEMY

Genell M. Mills
Principal

Chairman

Ruby George
Executive VP, OTU

Vice Chairman

Curtis Johnson
President, Sweetwater Community Assoc.

Treasurer

Narlene McLaughlin
Director of Administration, Potter's House

Secretary

Tommy Sampson
Ret., School Teacher

BOARD OF DIRECTORS

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EX-OFFICIO

Genell Mills

MOTTO

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

Action: SOS Academy would like to note that the above mentioned employee file did have the identification documented; but the form was not signed by our Human Resources Personnel. SOS concurs with auditor and has reviewed all personnel files and all I-9's within the three year retention period are properly signed and documented.

Prior period management letter comments were addressed by the School management and auditors were satisfied with the progress made by the school related to prior comments, except for comment number one. SOS Academy continues to carry a deficit, and needs to continue to work on reduction of it in the subsequent school year. The auditors have no other comments related to prior year's management comments.

Genell M. Mills

Genell Mills
Principal, SOS Academy