

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.

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

Year Ended June 30, 2009

Sunshine Elementary Charter School, Inc.

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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, 2009, 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, 2009, 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 deficit fund balance 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 November 30, 2009, 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 inquires 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.

Infante & Company

November 30, 2009
Hollywood, FL

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

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, 2009.

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, 2009

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 \$78,742 at June 30, 2009.

NET ASSETS

Current Assets	\$	4,964
Total Current Assets	\$	<u>4,964</u>
 Capital Assets	 \$	 40,368
Total Capital Assets	\$	<u>40,368</u>
 Accounts Payable and Payroll Liabilities	 \$	 40,192
Due To Fiscal Agent		<u>83,882</u>
Total Liabilities	\$	<u>124,074</u>
 Investment in Capital Assets	 \$	 40,368
Unrestricted		(119,110)
Restricted		<u>-</u>
Total Net Assets	\$	<u>(78,742)</u>

Revenues for governmental activities totaled \$1,003,067 for the year ended June 30, 2009. The main source of revenue was from the Florida Education Finance Program ("FEFP"). This revenue represented approximately 66% of total revenue.

Revenue Source	Amount	% of Total
FEFP	\$ 661,366	66%
Federal passed through local schools	160,549	16%
Other Revenue	<u>181,152</u>	<u>18%</u>
Total	<u>\$ 1,003,067</u>	<u>100%</u>

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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	\$ 471,490	50.5%
Pupil personnel services	6,963	0.7%
Instructional media services	22,579	2.4%
Instruction and curriculum development services	3,142	0.3%
Instructional staff training	2,588	0.3%
Board expenses	5,922	0.6%
School administration	56,441	6.0%
Facilities acquisition & construction	-	0.0%
Fiscal services	171,679	18.4%
Food services	7,273	0.8%
Pupil transportation	54,360	5.8%
Operation of plant	112,463	12.0%
Maintenance of plant	9,064	1.0%
Community Services	9,507	1.0%
	<u>\$ 933,471</u>	<u>100.0%</u>

CURRENT YEAR VS PRIOR YEAR RESULTS

The 2008-2009 school year was the third year that SEC enrolled students. Total revenue was \$1,003,067 and \$640,712 for the years ended June 30, 2009 and 2008, respectively. The increase in revenue was the result of SEC receiving a donation of \$159,079 from its management company The Leona Group, for the current year operations. Total expenses were \$933,471 and \$845,394 for the years ended June 30, 2009 and 2008, respectively. The \$88,077 increase in expenses is primarily attributable to the increase in school administration, plant operations and management fees during the year ended June 30, 2009.

BUDGETARY HIGHLIGHTS

Actual revenue was \$18,620 more than budgeted because SEC budgeted to receive less 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 instructional expenses than expected.

Total deficit fund balance of the General Fund was \$(119,110) at June 30, 2009.

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, 2009

		Governmental Activities
ASSETS		
CURRENT ASSETS		
Cash	\$	651
Prepaid expenses		3,191
Accounts Receivable		1,122
Total current assets		4,964
CAPITAL ASSETS		
Capital Assets, Net of Accumulated Depreciation		
Furniture, fixtures and equipment		40,368
Total capital assets		40,368
Total assets	\$	45,332
LIABILITES AND NET ASSETS		
LIABILITES		
Salaries and wages payable	\$	24,686
Accounts payable		13,293
Due to fiscal agent		83,882
Due to Paragon Academy of Techonology		2,213
Total liabilities		124,074
NET ASSETS		
Investment in Capital Assets		40,368
Unrestricted		(119,110)
Total net assets		(78,742)
Total liabilities and net assets	\$	45,332

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, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 471,490	\$ -	\$ 160,549	\$ -	\$ (310,941)
Pupil personnel services	6,963	-	-	-	(6,963)
Instructional media services	22,579	-	-	-	(22,579)
Instruction and curriculum development services	3,142	-	-	-	(3,142)
Instructional staff training	2,588	-	-	-	(2,588)
Board expenses	5,922	-	-	-	(5,922)
School administration	56,441	-	-	-	(56,441)
Facilities acquisition & construction	-	-	-	-	-
Fiscal services	171,679	-	-	-	(171,679)
Food services	7,273	-	-	-	(7,273)
Pupil transportation	54,360	-	-	-	(54,360)
Operation of plant	112,463	-	-	-	(112,463)
Maintenance of plant	9,064	-	-	-	(9,064)
Technology services	9,507	-	-	-	(9,507)
Total governmental activities	\$ 933,471	\$ -	\$ 160,549	\$ -	\$ (772,922)
			General Revenues		
			State through local school district	661,366	
			Investment earnings	109	
			Miscellaneous revenues	181,043	
			Total General Revenues	842,518	
			Change in net assets	69,596	
			Net assets, July 1, 2008	(148,338)	
			Net assets, June 30, 2009	\$ (78,742)	

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

Sunshine Elementary Charter School, Inc.
Balance Sheet - Governmental Funds
June 30, 2009

	General Fund	Special Revenue Fund	Total
ASSETS			
Cash	\$ 651	\$ -	\$ 651
Prepaid expenses	3,191		3,191
Accounts receivable	1,122	-	1,122
Total Assets	\$ 4,964	\$ -	\$ 4,964
LIABILITIES			
Salaries and wages payable	\$ 24,686	\$ -	\$ 24,686
Accounts payable	13,293	-	13,293
Due to fiscal agent	83,882	-	83,882
Due to Paragon Academy of Technology	2,213	-	2,213
Total Liabilities	124,074	-	124,074
FUND BALANCES			
Unrestricted	(119,110)	-	(119,110)
Restricted	-	-	-
Total Fund Balances	(119,110)	-	(119,110)
Total Liabilities and Fund Balances	\$ 4,964	\$ -	\$ 4,964

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, 2009

Fund Balance - Governmental Funds	\$	(119,110)
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$	50,865	
Less accumulated depreciation		<u>(10,497)</u>	
			<u>40,368</u>

Net Assets of Governmental Activites	\$	<u><u>(78,742)</u></u>
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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, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
REVENUES			
Federal passed through local school district	\$ 144,748	\$ 15,801	\$ 160,549
State passed through local school district	661,366	-	661,366
Interest income	109	-	109
Other revenue	<u>181,043</u>	<u>-</u>	<u>181,043</u>
TOTAL REVENUES	987,266	15,801	1,003,067
EXPENDITURES/EXPENSES			
Instruction	484,281	15,801	500,082
Pupil personnel services	6,963	-	6,963
Instructional media services	22,579	-	22,579
Instruction and curriculum development services	3,142	-	3,142
Instructional staff training	2,588	-	2,588
Board expenses	5,922	-	5,922
School administration	56,441	-	56,441
Facilities acquisition & construction	-	-	-
Fiscal services	171,679	-	171,679
Food services	7,273	-	7,273
Pupil transportation	54,360	-	54,360
Operation of plant	113,499	-	113,499
Maintenance of plant	9,064	-	9,064
Technology services	<u>9,507</u>	<u>-</u>	<u>9,507</u>
Total expenditures	<u>947,298</u>	<u>15,801</u>	<u>963,099</u>
Expenses over Revenues	39,968	-	39,968
Fund balances, July 1, 2008	<u>(159,078)</u>	<u>-</u>	<u>(159,078)</u>
Fund balances, June 30, 2009	<u><u>\$ (119,110)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (119,110)</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, 2009

Net Change in fund balances - governmental funds	\$	39,968
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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	\$	38,986	
Less current year depreciation		<u>(9,358)</u>	<u>29,628</u>
Change in Net Assets of Governmental Activities	\$		<u><u>69,596</u></u>

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

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
NOTES TO FINANACIAL STATEMENTS
JUNE 30, 2009

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 FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009

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, 2009, SEC recorded net capital assets of \$40,368.

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>
Improvements other than building	20
Computer equipment	3
Furniture, fixture and equipment	6-7

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.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
NOTES TO FINANACIAL STATEMENTS
JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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). 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	\$ 661,366
Federal passed through	160,549
Other	<u>181,152</u>
	<u>\$ 1,003,067</u>

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
 NOTES TO FINANACIAL STATEMENTS
 JUNE 30, 2009

NOTE C – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Balance at June 30, 2008</u>	<u>Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance at June 30, 2009</u>
Capital assets depreciated:				
Furniture, fixtures and equipment	\$ 11,879	\$ 38,986	\$ -	\$ 50,865
Total assets depreciated	<u>\$ 11,879</u>	<u>\$ 38,986</u>	<u>\$ -</u>	<u>\$ 50,865</u>
Less Accumulated depreciation				
Furniture, fixtures and equipment	\$ 1,138	\$ 9,359	\$ -	\$ 10,497
Total assets depreciated	<u>\$ 1,138</u>	<u>\$ 9,359</u>	<u>\$ -</u>	<u>\$ 10,497</u>
 Total governmental activities				
Capital assets, net				<u>\$ 40,368</u>

Depreciation expense of \$9,359 was charged to the instruction function for the year ended June 30, 2009.

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 \$250,000 through December 31, 2013. As of June 30, 2009, 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 on June 30, 2010.

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

	<u>Premises</u>
June 30:	
2010	\$ 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, 2009

NOTE G – DEFINED BENEFIT CONTRIBUTION PLAN

SEC participates in its management company's 401(k) retirement plan which covers substantially all employees. Under the plan, employees may elect to have a portion of salary withheld from pre-tax wages for investment in the plan, subject to limitations imposed by IRS regulations. SEC may, at its option, contribute a percentage of each participant's elective deferral and the percentage will be determined from year to year. The employee has several options as to how its contributions and SEC's contributions are to be invested. Total contributions made by SEC to the plan were \$2,914 for the year ended June 30, 2009

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 \$(119,110), a deficit net assets balance of \$(78,742) along with an increase in net assets for the year ended June 30, 2009 of \$69,596. 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 SEC is unable to continue as a going concern.

NOTE I – NOTE PAYABLE

SEC entered into a revolving loan with its management company on March 26, 2009 to provide working capital when needed. Under the agreement SEC can borrow up to \$80,000. The Master Revolving Note has an interest rate under this agreement of 6%. This agreement expires on June 30, 2009 and SEC has no outstanding balance under this agreement at June 30, 2009.

NOTE J – CONTINGENCIES

Subsequent to June 30, 2009, SEC received legal notice of monetary claims related to the SEC's termination of its management contract with Leona Group Florida, LLC ("Leona"). Leona agreed during the fiscal year ended June 30, 2009 to donate \$159,078 to SEC. Leona recorded the \$159,078 as a donation and a reduction of the liability due Leona for management services. This transaction was agreed upon by the Board of Directors of SEC. Leona notified the District of its actions taken when Leona submitted SEC's financial recovery plan on behalf of SEC's board of directors during the 2008-2009 school year to remedy the 2007-2008 financial emergency.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
NOTES TO FINANACIAL STATEMENTS
JUNE 30, 2009

NOTE J – CONTINGENCIES (continued)

Subsequent to year end, Leona terminated its contract with SEC and sued SEC for wrongful termination of its contract as well as claiming that SEC owes outstanding monies. In addition, Leona made a journal entry that reflected the \$159,078, the amount which was previously recorded as a donation, as an increase in the amount due to Leona causing the amount owed to Leona to increase at June 30, 2009. Management and its legal counsel are of the opinion that Leona had no authority to unilaterally record this self-fulfilling desire for repayment of the amount donated by Leona and their recording of this amount in the books and records of SEC at June 30, 2009 was not only unauthorized, but non-existent. SEC did not record this contingent liability of \$159,078 at June 30, 2009. Management is adamantly defending this lawsuit and believes that this lawsuit will not have a material effect on these financial statements.

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, 2009
(Unaudited)

	Governmental Funds						Totals		
	Original and Final Budget	General Fund	Variance	Budget	Special Revenue Fund	Variance	Budget	Governmental Funds	Variance
	Revenues								
Federal passed through local school district	\$ 126,860	\$ 144,748	\$ (17,888)	\$ 16,000	\$ 15,801	\$ 199	\$ 142,860	\$ 160,549	\$ (17,689)
State passed through local school district	667,905	661,366	6,539	-	-	-	667,905	661,366	6,539
Interest income	109	109	-	-	-	-	109	109	-
Other revenue	173,573	181,043	(7,470)	-	-	-	173,573	181,043	(7,470)
Total revenues	968,447	987,266	(18,819)	16,000	15,801	199	984,447	1,003,067	(18,620)
Expenses									
Instruction	438,730	484,281	(45,551)	44,662	15,801	28,861	483,392	500,082	(16,690)
Pupil personnel services	5,027	6,963	(1,936)	731	-	731	5,758	6,963	(1,205)
Instructional media services	2,500	22,579	(20,079)	19,854	-	19,854	22,354	22,579	(225)
Instruction and curriculum development services	268	3,142	(2,874)	-	-	-	268	3,142	(2,874)
Instructional staff training	2,100	2,588	(488)	195	-	195	2,295	2,588	(293)
Board expenses	5,922	5,922	-	-	-	-	5,922	5,922	-
School administration	74,116	56,441	17,675	-	-	-	74,116	56,441	17,675
Facilities acquisition & construction	-	-	-	-	-	-	-	-	-
Fiscal services	148,453	171,679	(23,226)	25,160	-	25,160	173,613	171,679	1,934
Food services	-	7,273	(7,273)	-	-	-	-	7,273	(7,273)
Pupil transportation	35,188	54,360	(19,172)	-	-	-	35,188	54,360	(19,172)
Operation of plant	103,651	113,499	(9,848)	-	-	-	103,651	113,499	(9,848)
Maintenance of plant	3,959	9,064	(5,105)	-	-	-	3,959	9,064	(5,105)
Technology services	13,263	9,507	3,756	-	-	-	13,263	9,507	3,756
Total expenses	833,177	947,298	(114,121)	90,602	15,801	74,801	923,779	963,099	(39,320)
Expenditures over Revenues	\$ 135,270	39,968	\$ 95,302	\$ (74,602)	-	\$ (74,602)	\$ 60,668	39,968	\$ 20,700
Fund Balance, July 1, 2008		(159,078)			-			(159,078)	
Fund Balance, June 30, 2009		<u>\$ (119,110)</u>			<u>\$ -</u>			<u>\$ (119,110)</u>	

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



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Florida Institute of CPAs

National Association of 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, 2009, and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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.

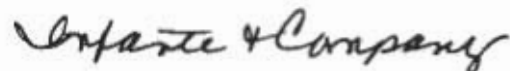
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 November 30, 2009.

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.



November 30, 2009
Hollywood, Florida



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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, 2009, and have issued our report thereon dated November 30, 2009.

We issued our Report on Internal Control Over Financial Reporting and On Compliance and Other Matters dated November 30, 2009. 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 09-1 is a repeat comment from the prior year audit.
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; and (3) may or may not have materially affected the financial statements.
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. We applied financial condition assessment procedures pursuant to Rule 10.855(10). 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 by reporting a deficit unreserved fund balance of \$(119,110) as of June 30, 2009. The financial emergency condition met was not the result of deteriorating financial conditions.

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

November 30, 2009
Hollywood, Florida

Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls

09-1 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 not the result of deteriorating financial conditions. SEC reported a deficit unreserved fund balance of \$119,110 and a deficit of net assets of \$78,742. SEC reported an increase in net assets of the year \$69,596 and has budgeted to continue to show an increase in net assets for the fiscal year 2010.

09-2 Bank account signers

We noted that no member of the board of directors has access to the bank account as a signer. While SEC did utilize a management company during the year ended June 30, 2009, at least one board of director should have access to authorize and sign checks as the board of directors is ultimately responsible for the financial statements.

Sunshine Elementary Charter School

2210 Pierce Street, Hollywood, FL 33020 Tel: (954) 925-0155 Fax: (954) 925-0209

December 11, 2009

Auditor General
Claude Pepper Building, Room G72
111 West Madison Street
Tallahassee, FL 32399-1450
Attention: David Ward

Dear Mr. Ward:

In the *Basic Financial Statements and Supplemental Information: Year Ended June 30, 2009* report, completed by Infante & Company for Paragon Academy of Technology, Inc., there were two (2) *Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls* (p.24). Our response to these recommendations:

09-1 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 not the result of deteriorating financial conditions. SEC reported a deficit unreserved fund balance of \$119,110 and a deficit of net assets of \$78,742. SEC reported an increase in net assets of the year \$69,596 and has budgeted to continue to show an increase in net assets for the fiscal year 2010.

Response:

To continue increasing net assets for fiscal year 2010, several cost-saving measures have been implemented:

1. The school's management company contract was terminated in August 2009. This step will save the school many thousands of dollars this fiscal year.
2. Personnel reduction and elimination of positions. This move decreased payroll and associated insurance costs.
3. Review and renegotiation of monthly maintenance costs including reduction in pool upkeep, lawn maintenance, and pest control services.
4. Purchasing, payroll, and billing are now under the direct control of the Board and the school principal. The principal provides the Board periodic revenue and expense updates.
5. Additional marketing efforts have been initiated to increase student enrollment.
6. Fundraising efforts have increased.

The Board will continue to work with the principal and school community to increase revenue and control spending. Board meetings will continue on a monthly basis to keep Board members up-to-date with fiscal information.

09-2 Bank account signers

We noted that no member of the board of directors has access to the bank account as a signer. While SEC did utilize a management company during the year ended June 30, 2009, at least one board of director should have access to authorize and sign checks as the board of directors is ultimately responsible for the financial statements.

Response:

The Governing Board chairperson is now a signer on all school accounts and is authorized to sign checks and access all account information.

Thank you.

Sincerely,



Pam Hackett
Chairperson, Sunshine Elementary Charter School