

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 AUDITORS' REPORT
FOR YEAR ENDED JUNE 30, 2010

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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AUDITORS' REPORT

September 27, 2010

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, 2010, 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, 2010, 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. Simononic • Sean M. Simononic • 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 27, 2010, 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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Partners

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S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Our discussion and analysis of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.'s (The Academy) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

These financial statements consist of three parts: The Auditor's Report, Required Supplementary Information which included the Management's Discussion and Analysis and the Basic Financial Statements. The Basic Financial Statements also include notes which explain, in more detail, some of the information in the Basic Financial Statements.

The Basic Financial Statements consist of two kinds of financial statements. The government-wide financial statements, including the Statement of Net Assets and the Statement of Activities, provide both short-term and long-term information about the Academy's overall financial status. 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 Academy's operations in more detail than the Government-wide Financial Statements by providing information about the Academy's most significant funds.

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 Academy as a whole.

Government-wide Financial Statements

The Academy's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Academy'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 Academy's assets and liabilities, with the difference reported as net assets.

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

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

USING THIS ANNUAL REPORT (CONTINUED)

Statement of Activities:

The second Government-wide Financial Statement is the Statement of Activities, which reports how the Academy'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 Academy'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 Academy, 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 Academy's financial reporting includes the funds of the Academy's general fund. The Academy 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 Academy uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Academy's most significant funds rather than the Academy as a whole. State Law requires some funds and others are established by the Academy to control and manage money for a particular purpose.

THE ACADEMY'S FUNDS

Government Fund Type

Most of the Academy'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 Academy'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
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

THE ACADEMY'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 Academy'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. The general fund is used to account for all financial resources not accounted for in another fund.

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt services or capital projects. The major special revenue fund reported by the Academy is for food service to its students.

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 Academy'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 Academy's fund receivables, payables and payments within the reporting entity.

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

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

CHANGE IN NET ASSETS

The Academy's combined net assets were \$1,490,504 on June 30, 2010. This was a decrease of 4.35% from the previous year (see table below.)

The Academy's Net Assets

	Governmental Activities for the fiscal year ended June 30,		Percentage Change
	2010	2009	
Current assets	\$ 41,256	\$ 22,775	81.15 %
Capital assets, net of accumulated depreciation	1,449,248	1,535,494	-5.62 %
Total assets	<u>1,490,504</u>	<u>1,558,269</u>	<u>-4.35 %</u>
Total liabilities	54,883	117,436	-53.27 %
Invested in capital assets	1,443,464	1,517,394	-4.87 %
Unrestricted net assets	(7,843)	(76,561)	89.76 %
Total net assets	<u>1,435,621</u>	<u>1,440,833</u>	<u>-0.36 %</u>
Total liabilities and net assets	<u>\$ 1,490,504</u>	<u>\$ 1,558,269</u>	<u>-4.35 %</u>

Net assets of the Academy's governmental activities decreased to \$1,435,621 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 \$5,212 from current year's activities. This decrease is a result of higher costs of food and transportation SOS Academy incurred during the year.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Change in Net Assets

	Governmental Activities for the fiscal year ended June 30,		Percentage Change
	2010	2009	
Federal Revenues	\$ 309,421	\$ 209,803	47.18 %
State	2,149,999	1,974,404	8.89 %
Local Sources	124,006	138,636	-10.55 %
Total Revenue	2,583,426	2,322,843	11.22 %
Operating Expenses	2,514,708	2,306,108	9.05 %
Capital Outlay	86,246	64,801	33.09 %
Obligation Under Capital Lease	(12,316)	(11,130)	10.66 %
Total Expenses	2,588,638	2,359,779	9.70 %
Change in net assets	(5,212)	(36,936)	85.89 %
Net assets at the beginning of the year	1,440,833	1,477,769	-2.50 %
Net assets at the end of the year	\$ 1,435,621	\$ 1,440,833	-0.36 %

Overall revenues increased by approximately \$260,583 for the year ended June 30, 2010, due to increase funding provided to the Academy by the State and additional Education Act Title I funding. The increase in funding provided to the Academy for teachers salaries, Academy's supplies, and student's coaches was due to an increase in students during the 2009-2010 school year.

Overall expenditures increased by approximately \$228,859 for the year ended June 30, 2010. Due to the anticipated increase in federal, state, and local funding, the Academy increased its overall expenditures.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant variances from budget to actual are described as follows:

Budget / Actual – General Fund

The federal through state revenue budget of \$301,458 was higher than the actual revenues because the Academy's budget estimated that the Academy will additional Title I funding based on number of students the Academy had at the end of school year. Due to lack of eligibility the Academy received only \$206,000 for Title I program and additional \$7,749 in Parent Involvement Funds.

Budget / Actual – General Fund

The state sources revenue budget of \$2,023,110 was lower than the actual revenues because the Academy's budget estimated that the Academy will loose more students at the end of the year. Due to the fact that funds received based on number of students attending the Academy actual revenues were higher than budgeted. Additionally, state source revenues included non-cash funding that was provided to the Academy. Non-cash funding was for instructional materials and supplies provided to the Academy by Duval County School Board and was not budgeted by the Academy. The auditor noted that total revenues budgeted by the Academy were very close to the actual revenues received by the Academy.

Budget / Actual – General Fund

The Instructional expenditure budget of \$983,795 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 2009-2010 increased compared with 2008-2009 school year but it was lower at the end of the year than it was originally estimated.

Budget / Actual – General Fund

The Academy's administration expenditures budget of \$307,931 was lower than the actual because the Academy did not budget for higher costs of administrative supplies and communications during 2009-2010 school year.

Budget / Actual – General Fund

The fiscal services expenditure budget of \$125,999 was higher than actual expenditures due to the fact that actual salaries paid during 2009-2010 school year were lower than budgeted for 2009-2010 fiscal year.

Budget / Actual – General Fund

The Operation of Plant expenditure budget of \$150,450 was lower than actual expenditures because additional funds were spent on electricity and communications due to electrical repairs and security system repairs made during the school year. The increase in electricity charges is also due to the increase in students for the year.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Budget / Actual – Special Revenue Fund

The federal through state revenues budget of \$70,800 was lower than actual revenues due to the increase in number of students and corresponding increase in food revenues per student the Academy had during 2009-2010 school year.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

The financial report is designed to provide the citizens, taxpayers, customers, and investors with a general overview of the Academy's finances, and to show the Academy'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 Academy's investment in capital assets, net of accumulated depreciation, for the general fund at June 30, 2010, was \$1,449,248. The total decrease from the prior year in this net investment was 5.62%. Major capital asset events during the current fiscal year included acquisition of computer hardware and software and beginning expenditures related to construction of the new school. The Academy expended \$17,000 for environmental studies, architectural plans and similar projects dedicated to the construction of the new building for the Academy.

The following schedule represents changes in fixed assets for the period ending June 30, 2010:

	Net Book Assets 6/30/2009	Additions	Disposals	Accumulated Depreciation	Net Book Assets at 6/30/10
Land improvements	\$ 89,000			\$ (2,500)	\$ 86,500
Buildings and improvements	1,170,635			(62,166)	1,108,469
Construction in progress		\$ 17,000			17,000
Furniture and equipment	74,261	7,749		(17,937)	64,073
Capital lease	25,201			(7,825)	17,376
Computer software	6,525	1,097		(5,929)	1,693
Improvements other than building	168,122			(15,385)	152,737
Building improvements	1,750			(350)	1,400
Total capital assets	\$ 1,535,494	\$ 25,846	\$ 0.00	\$ (112,092)	\$ 1,449,248

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, 2010

	<u>Component Unit Activities</u>	<u>Total</u>
ASSETS		
Cash	\$ 29,034	\$ 29,034
Due from agency	12,222	12,222
Capital assets, net of accumulated depreciation	<u>1,449,248</u>	<u>1,449,248</u>
Total Assets	1,490,504	1,490,504
LIABILITIES		
Accounts payable	\$ 14,099	\$ 14,099
Obligations under capital lease	5,784	5,784
Line of credit	<u>35,000</u>	<u>35,000</u>
Total Liabilities	<u>\$ 54,883</u>	<u>\$ 54,883</u>
Total Assets Less Liabilities	<u>\$ 1,435,621</u>	<u>\$ 1,435,621</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 1,443,464	\$ 1,443,464
Unrestricted net assets (deficit)	<u>(7,843)</u>	<u>(7,843)</u>
Total Net Assets	<u>\$ 1,435,621</u>	<u>\$ 1,435,621</u>

See 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, 2010

FUNCTIONS	Expenses	Program Revenues		Component Unit Activities	Net Expense Revenue & Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Component Unit Activities:					
Instruction	\$ (879,548)		\$		\$ (879,548)
Pupil personnel services	(145,183)				(145,183)
Instructional media services	(33,515)				(33,515)
Instruction and curriculum developer	(96,048)				(96,048)
Instruction and staff training	(141,967)				(141,967)
Board	(1,394)				(1,394)
School administration	(381,616)				(381,616)
Facilities acquisition and construction	(17,000)				(17,000)
Fiscal services	(90,530)				(90,530)
Food services	(143,334)		132,495		(10,839)
Pupil transportation services	(189,304)		93,950		(95,354)
Operation of plant	(206,581)				(206,581)
Maintenance of plant	(216,508)				(216,508)
Community service	(42,634)				(42,634)
Interest on long-term debt	(3,476)				(3,476)
Total Component Units	\$ (2,588,638)		\$ 226,445		\$ (2,362,193)
General Revenues:					
Grants and Contributions Not Restricted to Specific Programs				\$	2,356,981
Total General Revenues					<u>2,356,981</u>
Change in Net Assets					(5,212)
Net Assets - July 1, 2009					1,440,833
Net Assets - June 30, 2010				\$	<u>1,435,621</u>

See 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, 2010

ASSETS	General Fund	Special Revenue Fund	Total Governmental Funds
Cash	\$ 25,593	\$ 3,441	\$ 29,034
Due from agency	12,222		12,222
Due from special revenue fund	92,058		92,058
Total Assets	\$ 129,873	\$ 3,441	\$ 133,314
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 14,099		\$ 14,099
Due to general fund		92,058	92,058
Line of Credit		35,000	35,000
Total Liabilities	14,099	127,058	141,157
Fund Balances:			
Nonspendable			-
Restricted			-
Committed			-
Assigned			-
Unassigned	115,774	(123,617)	(7,843)
Total Fund Balance (Deficit)	115,774	(123,617)	(7,843)
Total Liabilities and Fund Balance	\$ 129,873	\$ 3,441	\$ 133,314
Total Governmental Fund Balance			(7,843)
Capital assets used in governmental activities that are not reported in the fund financial statements			1,449,248
Long-term liabilities, including obligations under capital leases, not reported in the financial statements			(5,784)
Net Assets of Governmental Activities			\$ 1,435,621

See 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, 2010

REVENUES	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Federal through state revenue	\$ 217,100	\$ 92,321	\$ 309,421
State sources	2,149,999		2,149,999
Local sources	<u>83,832</u>	<u>40,174</u>	<u>124,006</u>
 Total revenue	 \$ 2,450,931	 \$ 132,495	 \$ 2,583,426
 EXPENDITURES			
Education:			
Instructional	\$ 801,084	\$ 0	\$ 801,084
Pupil personnel services	141,820	0	141,820
Instructional media services	31,273	0	31,273
Instructional and curriculum development	103,802	0	103,802
Instructional and staff training	147,136	0	147,136
Board	1,394	0	1,394
School administration	378,253	0	378,253
Facilities acquisition and construction	17,000		17,000
Fiscal services	88,288	0	88,288
Food services		137,730	137,730
Pupil transportation	194,473	0	194,473
Operation of plant	189,767	0	189,767
Maintenance of plant	224,262	0	224,262
Community Service	42,634	0	42,634
Debt service:			
Principal	12,316	0	12,316
Interest and fiscal charges	<u>3,476</u>	<u>0</u>	<u>3,476</u>
 Total Expenditures	 \$ <u>2,376,978</u>	 \$ <u>137,730</u>	 \$ <u>2,514,708</u>
 Excess (deficiency) of revenues over expenditures	 73,953	 (5,235)	 68,718
Fund balances (deficits), beginning of year	<u>41,821</u>	<u>(118,382)</u>	<u>(76,561)</u>
 Fund balances (deficits), end of year	 \$ <u><u>115,774</u></u>	 \$ <u><u>(123,617)</u></u>	 \$ <u><u>(7,843)</u></u>

See auditors' report and accompanying notes to financial statements.

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
JUNE 30, 2010

Excess of revenues over expenditures	\$ 68,718
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.	(86,246)
Obligations under capital leases used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>12,316</u>
Change in Net Assets of Governmental Activities	<u>\$ (5,212)</u>

See auditors' report and accompanying notes to financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES				
Federal through state revenue	\$ 301,458	\$ 301,458	217,100	\$ (84,358)
State sources	1,948,886	2,023,110	2,149,999	126,889
Local sources	79,000	118,385	83,832	(34,553)
Total revenue	\$ 2,329,344	\$ 2,442,953	\$ 2,450,931	\$ 7,978
EXPENDITURES				
Education:				
Instructional	\$ 932,191	\$ 983,795	801,084	\$ 182,711
Pupil personnel services	131,685	131,685	141,820	(10,135)
Instructional media services	30,600	30,600	31,273	(673)
Instructional and curriculum development	101,009	101,009	103,802	(2,793)
Instructional staff training services	124,900	124,900	147,136	(22,236)
Board			1,394	(1,394)
School administration	302,931	307,931	378,253	(70,322)
Facilities acquisition and construction			17,000	(17,000)
Fiscal services	125,999	125,999	88,288	37,711
Pupil transportation	172,000	172,000	194,473	(22,473)
Operation of plant	150,450	150,450	189,767	(39,317)
Maintenance of plant	175,027	199,377	224,262	(24,885)
Community services	24,492	57,147	42,634	14,513
Debt service:				
Principal	10,000	10,000	12,316	(2,316)
Interest and fiscal charges	3,456	3,456	3,476	(20)
Total Expenditures	\$ 2,284,740	\$ 2,398,349	\$ 2,376,978	\$ 21,371
Excess of revenues over (under) expenditures	44,604	44,604	73,953	<u>\$ 29,349</u>
Fund balances (deficits), beginning of year	41,821	41,821	41,821	
Fund balances (deficits), end of year	\$ 86,425	\$ 86,425	\$ 115,774	

See auditors' report and accompanying notes to financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL-
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES				
Federal through state revenue	\$ 70,800	\$ 70,800	\$ 92,321	\$ 21,521
Local sources	<u>38,700</u>	<u>38,700</u>	<u>40,174</u>	<u>1,474</u>
Total revenue	\$ 109,500	\$ 109,500	\$ 132,495	\$ 22,995
EXPENDITURES				
Education:				
Food services	\$ 154,104	\$ 154,104	\$ 137,730	\$ 16,374
Total Expenditures	<u>\$ 154,104</u>	<u>\$ 154,104</u>	<u>\$ 137,730</u>	<u>\$ 16,374</u>
Excess of revenues over (under) expenditures	(44,604)	(44,604)	(5,235)	<u>\$ 39,369</u>
Fund balances (deficits), beginning of year	<u>(118,382)</u>	<u>(118,382)</u>	<u>(118,382)</u>	
Fund balances (deficits), end of year	<u>\$ (162,986)</u>	<u>\$ (162,986)</u>	<u>\$ (123,617)</u>	

See 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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc., (the "Academy") 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 Academy was incorporated on June 17, 1997, as an educational organization.

The general operating authority of the Academy 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 Academy 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 Academy 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 Academy which should be reported with the Academy'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 Academy is financially accountable and other organizations for which the nature and significance of their relationship with the Academy are such that exclusion would cause the Academy'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 Academy.

Basis of Presentation

Fund Accounting – In order to ensure observance of limitations and restrictions placed on the use of these resources available to the Academy, the financial records and accounts of the Academy 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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued:

GOVERNMENTAL FUND TYPES

General Fund – used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Fund – to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service and capital projects.

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 Academy 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 Academy'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, 2010

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 Academy 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.

Fund Balance Reporting and Governmental Fund Type Definitions - The Academy has implemented GASB Statement Number 54 – “Fund Balance Reporting and Governmental Fund Type Definitions” during the fiscal year ended June 30, 2010. The objective of this statement is to improve the usefulness and understandability of the governmental fund balance information. The Academy reports its governmental fund balances under the following categories:

- Nonspendable – The net current financial resources that cannot be spent because they are either nonspendable in form or legally or contractually required to be maintained intact. Generally these funds are not expected to be converted into cash. The Academy did not have any nonspendable funds at June 30, 2010.
- Restricted – The portion of the fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. This is considered to be the most binding level of constraint on the use of the fund balance. The Academy did not have any restricted funds at June 30, 2010.

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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued:

- Committed – The portion of the fund balance that can be used only for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority – the district school board. These amounts cannot be used for any other purpose unless the district school board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The Academy did not have any committed funds at June 30, 2010.
- Assigned – The portion of the fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. The Academy did not have any assigned funds at June 30, 2010.
- Unassigned – The portion of the fund balance that is the residual classification for the general fund. This balance represents amounts that have not been assigned to other funds and that have not have been restricted, committed or assigned for specific purposes. For the funds other than the general fund, if the residual balance is still negative after eliminating any assigned fund balances, the negative residual amount will be classified as an unassigned fund balance.

The Academy’s special revenue fund balance is a deficit after all assigned balances have been eliminated; therefore, it is reported as unassigned in the Balance Sheet – Governmental Funds at the fiscal year ended June 30, 2010. In addition, since the net residual balance of all funds is a deficit, the Academy considers its general fund balance to be unassigned as well.

	General Fund	Special Revenue Fund	Total Governmental Funds
Fund Balances:			-
Nonspendable			-
Restricted			-
Committed			-
Assigned			-
Unassigned	115,774	(123,617)	(7,843)

In accordance with the implementation of GASB No. 54, the Academy considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both are available. When an expenditure is incurred and it could be used towards committed, assigned, or unassigned amounts, it is considered to be used in that order, respectively.

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, 2010

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 Academy's charter. In accordance with the funding provisions of the charter and Section 1002.33 (17), Florida Statutes, the Academy 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 Academy 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 Academy 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 Academy 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.

2. CASH

The total carrying amount of the Academy's bank balances, per the bank statements, was \$31,983 at June 30, 2010. 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.

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.

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, 2010

2. CASH (Continued)

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 Academy's cash consists of demand deposits with financial institutions, which are insured by federal depository insurance. As of June 30, 2010, all of the Academy's balances were insured by FDIC.

3. BANK ACCOUNTS:

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

4. PROPERTY UNDER CAPITAL LEASE:

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 maturing in February 2011	\$ 3,972
Equipment lease with interest rate of 7.12%, secured by the equipment with interest and principal payments of \$611 maturing in September 2010	1,812
Total	\$ 5,784

Future installments and present value of the payments as of June 30, 2010, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	5,784	127	5,911
Thereafter	0	0	0
Total Obligation under Capital Lease	\$ 5,784	\$ 127	\$ 5,911

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, 2010

5. CHANGES IN FIXED ASSETS:

The following schedule represents changes in fixed assets for the period ending June 30, 2010:

	Net Book Assets 6/30/2009	Additions	Disposals	Accumulated Depreciation	Net Book Assets at 6/30/10
Land improvements	\$ 89,000			\$ (2,500)	\$ 86,500
Buildings and improvements	1,170,635			(62,166)	1,108,469
Construction in progress		\$ 17,000			17,000
Furniture and equipment	74,261	7,749		(17,937)	64,073
Capital lease	25,201			(7,825)	17,376
Computer software	6,525	1,097		(5,929)	1,693
Improvements other than building	168,122			(15,385)	152,737
Building improvements	1,750			(350)	1,400
Total capital assets	<u>\$ 1,535,494</u>	<u>\$ 25,846</u>	<u>\$ 0.00</u>	<u>\$ (112,092)</u>	<u>\$ 1,449,248</u>

Depreciation expense was charged to functions as follows:

	Amount
Governmental activities:	
Basic instruction	\$ 78,464
Pupil personnel services	3,363
Instructional media services	2,242
School administration	3,363
Fiscal services	2,242
Food services	5,604
Operations of plant	16,814
Total governmental activities' depreciation expense	<u>\$ 112,092</u>

6. LINE OF CREDIT:

The Academy 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, 2010, there were borrowings outstanding in the amount of \$35,000 with interest only payments due monthly. Variable interest rate was averaging 5.25% throughout 2009-2010 school year. The balance is due upon demand.

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, 2010

7. CHANGES IN GENERAL LONG-TERM DEBT:

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

	Balance June 30, 2009	Principal Payments and Refinancing Charges	Balance June 30, 2010
Copier lease	9,583	6,705	1,812
Equipment lease	8,517	5,611	3,972
Total	\$ 18,100	\$ 12,316	\$ 5,784

8. OPERATING LEASES:

Minimum lease payments required as of June 30, 2010

School facilities lease; with original term of 60 months and 12 remaining monthly payments of \$2,008 per month and maturing July 31, 2011. \$ 24,096

Total amount of minimum payments over the life of the operating lease **\$ 24,096**

The following is a schedule by years of future minimum rental payments required under lease that has initial or remaining non-cancelable lease term as of June 30, 2010.

	Operating Leases
2011	24,096
Thereafter	0
Total minimum payments	\$ 24,101

The following are the rental expenditures for the year:

Rent of facilities	24,101
Storage rent (month to month basis)	6,006
Total Rent Expense	\$ 30,107

9. SUBSEQUENT EVENTS:

The Academy had four break-ins for the period from June 30, 2010 through September 27, 2010. Some of the furniture and equipment was destroyed or stolen and damage was done to the Academy's buildings. Amount of the damage could not be accurately estimated as of September 27, 2010. According to the Academy's management majority of the damages incurred during break-ins will be covered by the Academy's insurance.

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 27, 2010

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, 2010, and have issued our report thereon dated September 27, 2010. 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.

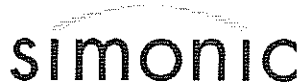
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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.

A handwritten signature in cursive script that reads "Semonic, Semonic, Ratnecht & Associates Inc".

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



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

MANAGEMENT LETTER

September 27, 2010

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, 2010, 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 \$7,843. The deficit decreased by approximately \$68,718 during the 2009-2010 school year. If a charter school has a net deficit, the State of Florida considers it to be in financial emergency and it needs to be promptly addressed by the Academy'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. Simonics • Sean M. Simonics • Joanne F. Ratnecht

The Academy reduced its net deficit during the 2009-2010 school year, 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 eliminate the outstanding deficit balance in the Governmental Funds.

- 2) During our audit, we noted that the Academy had four break-ins during the period from June 30, 2010 through the date of the audit report. During two incidences the Academy's offices were set on fire. Although the damage appears to be covered by the insurance policies, these incidences show the Academy's weakness in securing the Academy premises and are disruptive to the normal day to day activities of the Academy. The Academy's management is trying to remedy the situation but the auditor deems that more decisive steps are necessary to stop the destruction of the Academy's property.

Recommendation:

We recommend that the S.O.S. Academy should take all necessary steps to restore the ADP security monitoring of the Academy and install video cameras in the areas which have, or may have cash, computers and other equipment. The Academy would benefit from hiring security personnel to monitor the Academy's premises and police presence on the Academy's property would serve as a deterrent to unlawful activities.

- 3) We noted that some of the reimbursement invoices and receipts requested during audit testing were not provided to auditors. The Academy must have supporting documentation that is easily accessible for all items, regardless of the amount or designation. The auditor noted that although all Academy activities were recorded, some of the invoices and receipts were not acquired or retained by the Academy.

Recommendation:

S.O.S. Academy should improve its filing system and improve its internal controls relating to collection and retention of documentation supporting its day to day activities. This will make accounting records more accurate and will provide S.O.S. Academy's management with more meaningful financial records.

The prior period management letter comments were addressed by the Academy's management and the auditors were satisfied with the progress made by the Academy, as related to the prior year comments, except for comment number one. S.O.S. Academy continues to carry a deficit in the net assets of the Governmental Funds, 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 letter comments.

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Partners

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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 10.805(6) and Chapter 10.855(10). 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 \$7,843, as of June 30, 2010, the S.O.S. Academy had unrestricted capital assets available to cover the reported deficit, and the disposal of such assets should not impair S.O.S. Academy's ability to carry on its functions. All of the Academy's financial policies and procedures appear to be in compliance with State and Federal rules and regulations. The Academy 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 10.855(10) and 10.805(6), 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 the financial information provided by the management. We noted that the S.O.C.K. Outstanding Students (S.O.S.) Academy had no deteriorating financial conditions during the fiscal year ended June 30, 2010.

With respect to the Chapter 218.415 of the Florida statutes, the auditor found that the Academy's finances and investment policies were in agreement with the statutory requirements. As of June 30, 2010, the Academy had no investments.

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Partners

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

This report is intended solely for the information and use of the 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.

Respectfully Submitted,

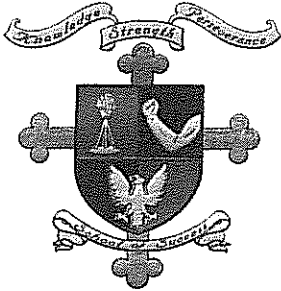
A handwritten signature in cursive script that reads "Simonic, Simonic, Ratnecht & Associates, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

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

Member of AICPA and FICPA
Partners

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Charter School



SCHOOL OF SUCCESS ACADEMY

Genell M. Mills
Principal

Corrective Action Plan September 29, 2010

Chairman

Ruby George
Executive VP, OTU

Vice Chairman

Curtis Johnson
President, Sweetwater Community Assoc.

Treasurer

Narlene McLaughlin
Director of Administration, Potter's House

Secretary

Tommy Sampson
Ret., School Teacher

BOARD OF DIRECTORS

Donald Foy
Frederick McClendon

HONORARY MEMBER

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

EX-OFFICIO

Genell Mills

MOTTO

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

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

S.O.C.K. Outstanding Students (SOS) Academy, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2010.

Simonic, Simonic, Ratnecht and Associates, In.
8750 Perimeter Park Boulevard
Jacksonville, Florida 32216
Audit Period: June 30, 2010

Comment: The auditor noted that SOS Academy has a deficit balance in the net assets of the Governmental Funds in the amount of \$7,843. The deficit decreased by approximately 68,718 during the 2009-2010 school year. If a charter school has a net deficit, the State of Florida considers it to be in financial emergency and it needs to be promptly addressed by the Academy'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. The Academy reduced its net deficit during the 2009 - 2010 school year, 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 eliminate the outstanding deficit balance in the Government Funds.

Action: SOS Academy's management will continue to reduce its net deficit by freezing salaries in the 2010-2011 school year, aggressively continue to market the school to communities and stake holders within the school's geographical boundaries and beyond. SOS is researching and has contacted the services of several grant writing companies that specialize in finding funds for non-profit organization, of which one of our grant sponsors is Paragon Technology. SOS is also sending several members of its staff to grant writing workshops. Local business , Food Lion, Hardees and Publix still are not able to solidify Corporate Sponsorships, however, they continue give support in donations and other in-kind services. Our Parent Organization is aggressively launching school-wide fundraisers for this year, using vendors like Sonny's Barbecue and school athletic events.

Comment: During our audit, we noted that the Academy had four break-ins during the period from June 30, 2010 through the date of the audit report. During two incidences the Academy's offices were set on fire. Although the damage appears to be covered by the insurance policies, these incidents show the Academy's weakness in securing the Academy's premises and are disruptive to the normal day to day activities of the Academy. The Academy's management is trying to remedy the situation but the auditor deems that more decisive steps are necessary to stop the destruction of the Academy's property.

Recommendation: We recommend that S.O.S. Academy should take all necessary steps to restore the ADP security monitoring of the Academy and install video cameras in the areas which have, or may have cash, computers and other equipment. The Academy would benefit from hiring security personnel to monitor the Academy's premises and police presence on the Academy's property would serve as a deterrent to unlawful activities.

Action: S.O.S. Academy would like to note the following: this begins our fourteenth(14th) year of operation and this is the first time we have ever had a break-in. Our security system during that time has always been approved by the Duval County School District Facility Department as well as Jacksonville's fire and rescue risk management department. S.O.S. Academy also notes that the break-ins did not occur until August 11, 2010. S.O.S. Academy concurs with auditors' recommendations in regards to the hiring of more security personnel for additional 24 hour monitoring of the facility, installing security camera with and off site monitoring device.

Comments: We noted that some of the reimbursement invoices and receipts requested during audit testing were not provided to auditors. The Academy must have supporting documentation that is easily accessible for all items, regardless of the amount or designation. The auditor noted that although all Academy activities were recorded, some of the invoices and receipts were not acquired by the Academy.

Recommendation: S.O.S Academy should improve its filing system and improve its internal controls relating to collection and retention of documentation supporting its day to day activities. This will make accounting records more accurate and will provide S.O.S. Academy's management with more meaningful financial records.

Action: S.O.S. concurs with auditors recommendation but would like to note that due to the break-ins and vandalizing of finance offices, some vendor file cabinets were broken into and contents scattered about and destroyed therefore invoices could not be located. S.O.S. is preparing to scan all invoice and save copies to its secure server as we go forth into the future.

The Prior period management letter comments were addressed by the Academy's management and the auditors were satisfied with the progress made by the school related to prior comments, except for comment number one. Even though S.O.S. Academy continued to carry a deficit this year, it is noted that we are still on track with our plan of action to reduce this deficit within a three-year period. S.O.S will continue to work on reduction of the deficit. The auditors have no comments related to prior year's management comments.



Genell M. Mills, Principal
SOS Academy