

**EXCELSIOR LANGUAGE ACADEMY OF HIALEAH
CHARTER SCHOOL
(A COMPONENT UNIT OF THE SCHOOL BOARD
OF MIAMI-DADE COUNTY, FLORIDA)
HIALEAH, FLORIDA**

**BASIC FINANCIAL STATEMENTS, INDEPENDENT
AUDITORS' REPORT AND SUPPLEMENTAL
INFORMATION**

JUNE 30, 2012

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA)
BASIC FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT AND SUPPLEMENTAL
INFORMATION
JUNE 30, 2012

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EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
(A Charter School Under Excelsior Academies, Inc.)

600 West 20th Street
Hialeah, FL 33010
(305) 888-8359

BOARD OF DIRECTORS

Ms. Claudia Trilles, Chair
Ms. Dulce More
Ms. Lilianne Morales
Ms. Maydelin Beceiro

SCHOOL ADMINISTRATION

Ms. Brenda Cruz, Principal

INDEPENDENT AUDITORS' REPORT

Board of Directors
Excelsior Language Academy of Hialeah Charter School
(A Component Unit of the School Board of Miami-Dade County, Florida)
Hialeah, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Excelsior Language Academy of Hialeah Charter School (the "School") a component unit of the District School Board of Miami-Dade County, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the School's 2011 financial statements, and in our report dated August 31, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities and the general fund.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 respective financial position of the governmental activities and each major fund of Excelsior Language Academy of Hialeah Charter School, a component unit of the District School Board of Miami-Dade County, Florida, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2012, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 23 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Verdeja & De Armas, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 31, 2012

Management's Discussion and Analysis
Excelsior Language Academy of Hialeah Charter School
June 30, 2012

The corporate officers of Excelsior Language Academy of Hialeah Charter School (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

1. The assets of the School exceeded its liabilities at June 30, 2012 by \$261,812 (net assets).
2. At year-end, the School had current assets on hand of \$438,577.
3. The net assets of the School decreased by \$220,089 during the year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2012 are presented under GASB 34. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The *Statement of Net Assets* presents information on all of the School's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event resulting in the change occurs, without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School, like other state and local governments, uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Government Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

Prior to the start of the School's fiscal year, the Board of the School adopts an annual budget for its general and special revenue fund. A budgetary comparison statement has been provided for the School's governmental funds to demonstrate compliance with the School's budget. The basic governmental fund financial statements can be found on pages 11-15 of this report.

Notes to Basic 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 basic financial statements can be found on pages 16-22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a school's financial position. In the case of the School, assets exceeded liabilities by \$261,812 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2012 and 2011 follows:

Assets	2012	2011
Cash	\$ 158,100	\$ 371,651
Accounts receivable	254,528	-
Prepaid expenses	25,949	47,251
Deposits receivable and other assets	77,590	77,590
Capital assets, net	224,826	317,201
Total Assets	\$ 740,993	\$ 813,693
Liabilities and Net Assets		
Accounts and wages payable and accrued liabilities	\$ 479,181	\$ 331,093
Due to internal funds	-	699
Total Liabilities	\$ 479,181	\$ 331,792
Invested in capital assets, net of related debt	224,826	317,201
Unrestricted	36,986	164,700
Total Net Assets	\$ 261,812	\$ 481,901
Total Liabilities and Net Assets	\$ 740,993	\$ 813,693

At June 30, 2012, the School's total assets were approximately \$741,000 and total liabilities were approximately \$479,000. This fiscal year was the fourth year of operations for the School. The School's assets decreased primarily due to the depreciation of fixed assets. The School's liabilities increased primarily due to payments due to the management company for its services and the Leona Group, LLC lease. The School currently shares the same facilities with Excelsior Academy Charter High School (the "High School"). In turn, the School receives a usage fee from the High School for the use of instructional classroom space, equipment and facilities. At June 30, 2012, the High School owed the School \$254,528. At the end of the fiscal year, the School is able to report a positive balance in the category of net assets of \$261,812.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2012 and 2011 follows:

REVENUES	<u>2012</u>	<u>2011</u>
Program Revenues		
Operating grants & contributions	\$ 481,808	\$ 605,341
Capital grants & contributions	205,731	112,098
Charges for services	458,882	235,654
General Revenues		
Grants & contributions	3,325,375	3,805,198
Fundraising & other revenue	12,066	100,980
Total Revenues	<u>\$ 4,483,862</u>	<u>\$ 4,859,271</u>
 EXPENSES		
Instructional services	\$ 2,236,127	\$ 2,160,164
Instructional staff training services	5,840	6,047
Board	53,908	104,573
School administration	559,130	472,693
Facilities acquisition & construction	1,499	4,456
Fiscal services	85,425	98,422
Food services	380,723	320,504
Central services	98,278	108,354
Operation of plant	1,187,781	1,390,449
Maintenance of plant	57,957	82,151
Community services	37,283	22,629
Total Expenses	<u>\$ 4,703,951</u>	<u>\$ 4,770,442</u>
 Change in Net Assets	(220,089)	88,829
 Net Assets at Beginning of Year	<u>481,901</u>	<u>393,072</u>
Net Assets at End of Year	<u>\$ 261,812</u>	<u>\$ 481,901</u>

The School's total revenues for the year ended June 30, 2012 were approximately \$4,484,000 while its total expenses were approximately \$4,704,000 for a net decrease of approximately \$220,000. This was the School's fourth year of operations. The School's total revenues decreased by approximately \$375,000 due primarily to decrease funding from FEFP funding due to state budget cuts and a decrease in total students. Total expenses decreased by approximately \$66,000. The School receives a usage fee, which is included in charges for services, from the High School for the use of its facilities and services. For the year ended June 30, 2012, the amount of usage fee recorded was approximately \$413,000.

ACCOMPLISHMENTS

In 2012, Excelsior Language Academy of Hialeah completed its 4th year of operations, increasing enrollment to 570 students in grades K-8. The school earned a letter grade of "B." This past year, Excelsior students participated in various community service projects (Thanksgiving Food Drive, Hialeah Youth Eggstravaganza, and the City of Hialeah Holiday Toy Drive), as well as school-based fundraisers (Scholastic Book Fair, Charleston Wrap Fundraiser, Box Tops, Miami Heat Court of Dreams, and Miami Marlins Game).

Excelsior students participated in various clubs, including Student Council, Cheerleading, National Honor Society, and UM Cheerleading Camp. They also participated in team sports

such as Volleyball, Basketball, Football, and Soccer, where they were recognized for various accomplishments throughout the year, including:

- Volleyball J.V (1st Place champions)
- Volleyball (3rd Place)
- Soccer J.V. (2nd Place)
- Soccer Varsity (Runner-Ups)
- Basketball J.V. (Playoffs)
- Elementary Basketball (Runner-Ups)
- Girls Basketball (Champions)
- Football Varsity (Runner-Ups)

The mission of the School is to foster pride in academic achievement while developing students ability in the Spanish language. We believe in the acquisition of linguistics and cultural skills as an interval part of education and that language learning is best acquired in the elementary grades. We celebrate all of our diverse cultures and backgrounds with the vision that students can become respectful, responsible, trustworthy and productive members of their school, their communities, their nation and the world.

SCHOOL LOCATION

The School operates in the City of Hialeah from its leased facility located at 600 West 20th Street, Hialeah, FL 33010.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

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

At the end of the fiscal year, the School's governmental funds reported combined ending fund balances of \$36,986, a decrease of \$127,714 in comparison with the prior year.

CAPITAL ASSETS

The School's investment in capital assets, as of June 30, 2012, amounts to \$224,826 (net of accumulated depreciation). This investment in capital assets includes mainly furniture and equipment.

GENERAL FUND BUDGET ANALYSIS AND HIGHLIGHTS

Prior to the start of the School's fiscal year, the Board of the School adopted an annual budget. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

	All Funds		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 3,237,600	\$ 3,325,000	\$ 3,325,375
Capital outlay funding and other grants	140,500	205,750	205,731
Federal lunch program	300,000	305,460	305,457
Federal through state and local	176,000	176,350	176,351
Charges for services and other grants	378,910	454,000	458,882
Other income	-	12,000	12,066
TOTAL REVENUE	\$ 4,233,010	\$ 4,478,560	\$ 4,483,862
EXPENDITURES			
Instructional services	\$ 2,101,000	\$ 2,176,110	\$ 2,175,655
Instructional staff training services	5,000	6,000	5,840
Board	50,000	55,000	53,908
School administration	560,000	560,000	559,130
Facilities acquisition & construction	8,000	22,925	22,925
Fiscal services	90,000	90,000	85,425
Food services	370,000	382,435	379,923
Central services	100,000	100,000	98,278
Operation of plant	1,095,176	1,138,090	1,135,252
Maintenance of plant	60,000	60,000	57,957
Community services	40,000	40,000	37,283
TOTAL EXPENDITURES	\$ 4,479,176	\$ 4,630,560	\$ 4,611,576
 Net change in fund balance	 \$ (246,166)	 \$ (152,000)	 \$ (127,714)

Requests for Information

This financial report is intended to provide a general overview of the finances of the School. Requests for additional information may be addressed to Ms. Ana Martinez of Academica Dade, LLC located at 6340 Sunset Drive, Miami, Florida 33143.

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011 (SUMMARIZED COMPARATIVE INFORMATION)

	Governmental Activities	
	2012	2011 (Summarized Comparative Information)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 158,100	\$ 371,651
Accounts receivable	254,528	-
Due from governmental agencies	-	-
Prepaid expenses	25,949	47,251
TOTAL CURRENT ASSETS	<u>\$ 438,577</u>	<u>\$ 418,902</u>
CAPITAL ASSETS		
Improvements other than buildings	\$ 16,754	\$ 7,494
Less accumulated depreciation	(6,915)	(2,248)
Furniture and equipment	476,424	443,006
Less accumulated depreciation	(261,437)	(131,051)
TOTAL CAPITAL ASSETS, NET	<u>224,826</u>	<u>317,201</u>
Deposit receivable and other assets	<u>77,590</u>	<u>77,590</u>
TOTAL ASSETS	<u><u>\$ 740,993</u></u>	<u><u>\$ 813,693</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 289,582	\$ 149,625
Wages payable	189,599	181,468
Due to internal funds	-	699
TOTAL CURRENT LIABILITIES	<u>\$ 479,181</u>	<u>\$ 331,792</u>
TOTAL LIABILITIES	479,181	331,792
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Invested in capital assets, net of related debt	\$ 224,826	\$ 317,201
Unrestricted	36,986	164,700
TOTAL NET ASSETS	<u>\$ 261,812</u>	<u>\$ 481,901</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 740,993</u></u>	<u><u>\$ 813,693</u></u>

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

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
BALANCE SHEET- GOVERNMENTAL FUNDS
JUNE 30, 2012 AND 2011 (SUMMARIZED COMPARATIVE INFORMATION)

	<u>2012</u>	<u>2011</u>
	General Fund	(Summarized Comparative Information)
ASSETS		
Cash and cash equivalents	\$ 158,100	\$ 371,651
Accounts receivable	254,528	-
Due from governmental agencies	-	-
Prepaid expenses	25,949	47,251
Deposit receivable and other assets	77,590	77,590
TOTAL ASSETS	<u><u>\$ 516,167</u></u>	<u><u>\$ 496,492</u></u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 289,582	\$ 149,625
Wages payable	189,599	181,468
Due to internal funds	-	699
TOTAL LIABILITIES	<u><u>\$ 479,181</u></u>	<u><u>\$ 331,792</u></u>
 FUND BALANCE		
Nonspendable		
Prepaid expenses	\$ 25,949	\$ 47,251
Deposits receivable and other assets	77,590	77,590
Unassigned	(66,553)	39,859
TOTAL FUND BALANCE	<u><u>\$ 36,986</u></u>	<u><u>\$ 164,700</u></u>
 TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 516,167</u></u>	<u><u>\$ 496,492</u></u>

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

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total Fund Balance - Governmental Funds	\$	36,986
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets of \$493,178, net of accumulated depreciation of \$268,352 used in governmental activities are not financial resources and therefore are not reported in the fund.	224,826
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Total Net Assets - Governmental Activities	<u>\$</u>	<u>261,812</u>
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The accompanying notes are an integral part of this financial statement.

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	2012			2011
	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
				(Summarized Comparative Information)
REVENUES				
State passed through local	\$ 3,325,375	\$ -	\$ -	\$ 3,325,375
Federal through state and local	-	176,351	-	176,351
State capital outlay funding	-	-	205,731	205,731
Federal lunch program	-	305,457	-	305,457
Charges for services and other grants	449,904	8,978	-	458,882
Other income	12,066	-	-	12,066
TOTAL REVENUES	\$ 3,787,345	#####	\$ 205,731	\$ 4,483,862
EXPENDITURES				
Current:				
Instructional services	\$ 1,979,551	#####	\$ -	\$ 2,155,902
Instructional staff training services	5,840	-	-	5,840
Board	53,908	-	-	53,908
School administration	559,130	-	-	559,130
Facilities acquisition & construction	-	-	-	-
Fiscal services	85,425	-	-	85,425
Food services	65,488	314,435	-	379,923
Central services	98,278	-	-	98,278
Operation of plant	972,199	-	163,053	1,135,252
Maintenance of plant	57,957	-	-	57,957
Community services	37,283	-	-	37,283
Capital Outlay:				
Food services	-	-	-	-
Instructional services	-	-	19,753	19,753
Facilities acquisition & construction	-	-	22,925	22,925
Operation of plant	-	-	-	-
TOTAL EXPENDITURES	\$ 3,915,059	#####	\$ 205,731	\$ 4,611,576
Excess of revenues over expenditures	\$ (127,714)	\$ -	\$ -	\$ (127,714)
Net change in fund balance	(127,714)	-	-	(127,714)
Fund balance at beginning of year	164,700	-	-	164,700
Fund balance at end of year	\$ 36,986	\$ -	\$ -	\$ 36,986

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

**EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Change in Fund Balance - Governmental Funds \$ (127,714)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of \$135,053 exceeded capital outlays of \$42,678. (92,375)

Change in Net Assets of Governmental Activities \$ (220,089)

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

**EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES- AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Agency Fund Student Activity
ASSETS	
Cash	\$ 55,843
Due from general fund	-
TOTAL ASSETS	\$ 55,843
LIABILITIES	
Due to student groups	\$ 55,843
TOTAL LIABILITIES	\$ 55,843

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

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – ORGANIZATION AND OPERATIONS

Reporting Entity

Excelsior Language Academy of Hialeah Charter School, (the “School”) a component unit of the District School Board of Miami-Dade County, Florida is sponsored by Miami-Dade County Public Schools. Its charter-holder, Excelsior Academies, Inc., is a not-for-profit corporation, organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors of Excelsior Academies, Inc. which is comprised of four members.

The general operating authority of Excelsior Language Academy of Hialeah Charter School (the “School”) is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Miami-Dade County, Florida (the “School Board”). The current charter is effective until June 30, 2013. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter, in which case the School Board is required to notify the School in writing at least 90 days prior to the School’s expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. The charter contract may be renewed for an additional term and/or by mutual written consent of both parties.

These financial statements are for the year ended June 30, 2012, when 570 students were enrolled in grades kindergarten through eighth.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audits per State and Local Governments and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information for the School as a whole. Both statements report only governmental activities as the School does not engage in any business type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, (2) operating grants and contributions which finance annual operating activities, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds, namely, the general, special revenue and capital project funds are reported as separate columns in the fund financial statements:

General Fund – is the School’s primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Projects Fund – used to account for financial resources used for the acquisition or construction of major capital facilities and for the proceeds and related expenditures of the charter school capital outlay funding.

Additionally, the School reports the following fiduciary fund type:

Agency Funds

Agency funds account for assets held by the School in a custodial capacity. The reporting entity includes one agency fund. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency fund is a School Activities Fund. It accounts for monies collected and spent resulting from student activities at the School site level such as music, clubs and other similar fundraising activities.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of Excelsior Language Academy of Hialeah Charter School, (the “School”) are prepared in accordance with generally accepted accounting principles (GAAP). The School’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from non-exchange transactions are reported according to Governmental Accounting Standards Board (GASB) Codification Section 1600.111 and Section N50 “*Accounting and Financial Reporting for Non-Exchange Transactions*”. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 90 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Budgetary Basis 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).

Cash and Cash Equivalents

The School’s cash is considered to be cash on hand and demand deposits, with original maturities of three months or less.

Accounts receivable

Accounts receivable consists of after school care fees pending to be collected. Any bad debts are expensed in the subsequent period when they are determined to be uncollectible.

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from Other Government or Agency

Due from other government agency consists of grants receivable which were collected in the subsequent year. Since all receivables were collected subsequent to year end, an allowance for doubtful accounts is not necessary.

Capital Assets, Depreciation and Amortization

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. The School capitalization levels are \$750 on tangible personal property. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the costs and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Furniture and equipment	5 Years
Computer equipment and software	7 Years
Building and improvements	39 Years

Compensated Absences

The School grants a specific number of days of sick/personal leave. Full-time employees are eligible for one day per month to up to ten days of active work during the ten-month period (a "benefit year"). In the event that available time is not used by the end of the benefit year, employees may "rollover" all unused days for use in future benefit years. There is an opportunity to "cash out" unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days in order to cash out. The cash value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefit years.

The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Government-wide Fund Net Assets

Government-wide fund net assets are divided into three components:

- Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. There were no restricted net assets for the year ending June 30, 2012.
- Unrestricted – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). At June 30, 2012, the School had \$103,539 in nonspendable fund balance.
- Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At June 30, 2012, there is no restricted fund balance.
- Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. At June 30, 2012, there is no committed fund balance.
- Assigned – fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. At June 30, 2012, there is no assigned fund balance.
- Unassigned – fund balance is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance at the end of the fiscal year by adjusting journal entries. First Non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Minimum Fund Balance

As of June 30, 2012, there are no minimum fund balance requirements for any of the School's funds.

Comparative Data and Reclassifications

Comparative total data for the prior year have been presented only for the balance sheet and statement of revenues, expenditures and changes in fund balances for governmental funds in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Revenue Sources

Revenues for operations will be received primarily from the District School Board of Miami-Dade County (the "School Board") pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the School Board. Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. In addition, the School receives an annual allocation of charter school capital outlay funds for leasing of School facilities.

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Sources (Continued)

The School may also receive federal awards for the enhancement of various educational programs. Federal awards are 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. Any excess amounts are recorded as deferred revenues until expensed. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Income Taxes

The School is a division of a nonprofit corporation. The School qualifies as a tax exempt organization under the Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2012:

	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
Capital Assets				
Building & improvements	\$ 7,494	\$ 9,260	\$ -	\$ 16,754
Furniture & equipment	443,006	33,418	-	476,424
Total Capital Assets	<u>\$ 450,500</u>	<u>\$ 42,678</u>	<u>\$ -</u>	<u>\$ 493,178</u>
Less Accumulated Depreciation				
Building & improvements	\$ (2,248)	\$ (4,668)	\$ -	\$ (6,916)
Furniture & equipment	<u>(131,051)</u>	<u>(130,385)</u>	<u>-</u>	<u>(261,436)</u>
Total Accumulated Depreciation	<u>(133,299)</u>	<u>(135,053)</u>	<u>-</u>	<u>(268,352)</u>
Capital Assets, net	<u>\$ 317,201</u>	<u>\$ (92,375)</u>	<u>\$ -</u>	<u>\$ 224,826</u>

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 – CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2012 was charged to functions of the School as follows:

Instructional services	\$	80,225
Facilities acquisition and construction		1,499
Food service		800
Operation of plant		52,529
Total	\$	<u>135,053</u>

NOTE 4 – COMMITMENTS AND CONTINGENCIES

The School entered into an operating lease agreement in March 2008 for the use of facilities. The term of this lease commenced on August 1, 2008 and shall expire on July 31, 2024. The School has the right to extend the term for two additional periods of ten years each. For the year ended June 30, 2012, the total rent expense was approximately \$905,000. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	
2013	\$ 923,522
2014	914,061
2015	929,802
2016	948,399
2017	967,367
2018-2022	5,134,908
2023-2024	2,200,613
Total	<u>\$ 12,018,672</u>

In June 2010, the School entered into a non-exclusive space usage agreement with Excelsior Academy High School (“High School”) for the use of the facilities for term of August 1, 2010 through June 30, 2015, at which time it may be renewed on an annual basis. The School will be paid a flat monthly fee based, on a student cost allocation ratio. The amount recorded as revenue under charges for services was \$413,505. At June 30, 2012, the School was due \$254,528 from the High School.

In addition, the School has entered into a three year agreement with an option to renew with Academica Dade, LLC to provide management services. (See Note 6)

Finally, the School entered into an agreement in October 2008 to lease equipment through the previous management company. The term of the lease is for 60 months and requires monthly payments of \$9,806. Total expenses for the year under this lease were \$117,672. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	
2013	\$ 117,672
2014	29,418
Total	<u>\$ 147,090</u>

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 – RELATED PARTIES

Excelsior Academy High School (“High School”) is a separate charter school for students in grades 9th through 12th. Currently the High School uses the same facility as Excelsior Language Academy of Hialeah Charter School. In addition, they provide the High School with teachers and other services. The School is reimbursed for these services based on a flat monthly fee based on a student cost allocation ratio. (See Note 4)

NOTE 6 – TRANSACTIONS WITH MANAGEMENT COMPANY

Academica Dade, LLC, a professional charter school management company, provides management and administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the School’s books and records, bookkeeping and financial reporting. In providing management services to the School, officers of the management company may not serve as members of the Board of Directors of the School. The agreement began on January 1, 2010 and it is a three-year contract with an option to renew. The contract calls for a management fee of \$450 per FTE. During the year-ended June 30, 2012, the School incurred management fees of \$256,275. At June 30, 2012, the School had a payable to the Academica Dade, LLC for services performed of \$209,175 and is included in accounts payable.

NOTE 7 – DEPOSITS POLICY AND CREDIT RISK

It is the School’s policy to maintain its cash and cash equivalents in major banks and in high grade investments.

As of June 30, 2012, the carrying amount of the School’s cash deposit account was \$158,100 (operating) and \$55,843 (agency) and the respective bank balances totaled \$325,391 (operating) and \$55,843 (agency). The amount of deposits at year end, were in compliance with the Federal Depository Insurance Corporation (FDIC) limit. At times during the year the bank balances may exceed the FDIC limit.

NOTE 8 – GRANTS

In the normal course of operations, the School receives grant funds from various federal, state and local agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not reflected in these financial statements.

NOTE 9 – DEFINED CONTRIBUTION RETIREMENT PLAN

The School’s personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School provides a match of 50% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed to the Plan \$9,046 for the year ended June 30, 2012. The School does not exercise any control or fiduciary responsibility over the Plan’s assets, which are administered by MassMutual Financial Group.

NOTE 10 – SUBSEQUENT EVENTS

The School has evaluated subsequent events and transactions for potential recognition or disclosure through August 31, 2012, which is the date the financial statements were available to be issued.

Subsequent to the year ended June 30, 2012, the School entered into a line of credit promissory note agreement on August 1, 2012 for \$70,000 with Academica Dade, LLC.

REQUIRED SUPPLEMENTAL INFORMATION

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 3,237,600	\$ 3,325,000	\$ 3,325,375
Charges for services and other grants	370,910	445,000	449,904
Other income	-	12,000	12,066
TOTAL REVENUES	\$ 3,608,510	\$ 3,782,000	\$ 3,787,345
EXPENDITURES			
Instructional services	\$ 1,925,000	\$ 1,980,000	\$ 1,979,551
Instructional staff training services	5,000	6,000	5,840
Board	50,000	55,000	53,908
School administration	560,000	560,000	559,130
Fiscal services	90,000	90,000	85,425
Food services	70,000	68,000	65,488
Central services	100,000	100,000	98,278
Operation of plant	954,676	975,000	972,199
Maintenance of plant	60,000	60,000	57,957
Community services	40,000	40,000	37,283
TOTAL EXPENDITURES	\$ 3,854,676	\$ 3,934,000	\$ 3,915,059
 Net change in fund balance	 \$ (246,166)	 \$ (152,000)	 \$ (127,714)

See accompanying note to the required supplemental information.

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE AND CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue and Capital Projects Funds		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	\$ 140,500	\$ 205,750	\$ 205,731
Federal lunch program	300,000	305,460	305,457
Federal through state and local	176,000	176,350	176,351
Charges for other services	8,000	9,000	8,978
TOTAL REVENUES	<u>\$ 624,500</u>	<u>\$ 696,560</u>	<u>\$ 696,517</u>
EXPENDITURES			
Instructional services	\$ 176,000	\$ 196,110	\$ 196,104
Facilities acquisition & construction	8,000	22,925	22,925
Food services	300,000	314,435	314,435
Operation of plant	140,500	163,090	163,053
TOTAL EXPENDITURES	<u>\$ 624,500</u>	<u>\$ 696,560</u>	<u>\$ 696,517</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to the required supplemental information.

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Agency / Pass-through Entity	Federal CFDA/ Number	Contract / Grant Number	Federal Expenditures	Transfers to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE/PASS THROUGH FLORIDA DEPARTMENT OF EDUCATION National School Lunch Program and School Breakfast Program	10.555, 10.553	N/A	\$ 414,915	\$ 109,458
U.S. DEPARTMENT OF EDUCATION/ PASS THROUGH DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY Title I Grants to Local Educational Agencies	84.010	N/A	158,424	-
Total Expenditures of Federal Awards			<u>\$ 573,339</u>	<u>\$ 109,458</u>

See accompanying note to the schedule of expenditures of federal awards.

EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2012

NOTE A – BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Board. The budget presented for the year ended June 30, 2012 has been amended according to Board procedures. During the fiscal year, expenditures were controlled at the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general and special revenue funds for which a legally adopted budget exists.

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).

NOTE B – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the School for the year ended June 30, 2012 on the accrual basis of accounting. All federal awards received directly from federal agencies, as well as federal awards received from other government agencies are included in the Schedule. The information in this schedule is in accordance with U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

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

Board of Directors
Excelsior Language Academy of Hialeah Charter School
Hialeah, Florida

We have audited the financial statements of the governmental activities and each major fund of Excelsior Language Academy of Hialeah Charter School (the "School"), a component unit of the District School Board of Miami-Dade County, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, 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 the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, the District School Board of Miami-Dade County, federal and state awarding agencies, the State of Florida Office of the Auditor General and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Verdeja & De Armas, LLP".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 31, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVERCOMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Excelsior Language Academy of Hialeah Charter School
Hialeah, Florida

Compliance

We have audited Excelsior Language Academy of Hialeah Charter School's (the "School") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2012. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, the District School Board of Miami-Dade County, federal and state awarding agencies, the state of Florida Auditor General, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 31, 2012

**EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Type of auditor's report issued on compliance for major program:

Unqualified

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

_____ yes X no

Identification of major programs:

Federal Program or Cluster	CFDA Number	Expenditures
National School Lunch Program and School Breakfast Program	10.555, 10.553	\$ 414,915
Dollar threshold used to distinguish between type A and type B programs.	\$300,000	
Auditee qualified as low-risk auditee?	No	

**EXCELSIOR LANGUAGE ACADEMY OF HIALEAH CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION II - FINANCIAL STATEMENT FINDINGS

The audit disclosed no matters that are reportable for the current year.

SECTION III – FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS

The audit disclosed no matters that are reportable.

SECTION V - OTHER ISSUES

1. A management letter is required pursuant to Chapter 10.850, Rules of the Auditor General. A management letter was issued and reported to management in an attached letter dated August 31, 2012.
2. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal award programs.
3. No Corrective Action Plan is required because there were no findings required to be reported under the Federal Single Audit Acts.

MANAGEMENT LETTER

Board of Directors
Excelsior Language Academy of Hialeah Charter School
Hialeah, Florida

We have audited the financial statements of the governmental activities and each major fund of Excelsior Language Academy of Hialeah Charter School (the "School"), a non-major component unit of the District School Board of Miami-Dade County, as of and for the year ended June 30, 2012, and have issued our report thereon dated August 31, 2012.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports, which are dated August 31, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, *Rules of the Auditor General*, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings made in the preceding annual financial audit report.
- Section 10.854(1)(e) 3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had the following observation:

2012-1: Accounts Receivables

Observation

During our audit we noted an overstatement of accounts receivable and revenue. An audit adjustment to remove the balance from accounts receivable and School revenues was required.

Recommendation

The School should periodically review its accounts receivable aging to verify and ensure that all accounts have been properly recorded.

Management Response

Management will adhere to Auditor's recommendation.

- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statement, considering both quantitative and qualitative factors: (1) violations of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the school is Excelsior Language Academy of Hialeah Charter School
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Excelsior Language Academy of Hialeah Charter School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2012, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. We applied such procedures and we noted deteriorating financial conditions as detailed below:

2012-3: Financial Condition

Criteria

Pursuant to Sections 10.854(1)(e)7.a and 10.855(10), Rules of the Auditor General, certain financial condition assessment procedures were applied to identify local government entities experiencing deteriorating financial conditions that could result in a financial emergency.

Condition

Several financial indicators computed at June 30, 2012 relating to the following:

- Deficits
- Budgeting revenues and expenditures
- Difficulty making purchases without having to borrow

resulted in decreases when compared to the prior fiscal year.

Cause

During the year ended June 30, 2012, the School had a decrease in FEFP funding due to state budget cuts and an overall decrease in student enrollment from the prior year.

Effect

Based on these financial indicators, the School may have difficulty supporting its current expenses with current revenues.

Recommendation

The School needs to monitor its expenditures and decrease spending until the current revenue levels increase to sustainable amounts.

Views of Responsible Officials

1. Enrollment has increased for the 2012-2013 school year and expenditure plans have been limited to ensure that the School can meet its current obligation.
2. Further decrease in expenditures is expected after June 30, 2013, which is the date that a prior lease obligation will be satisfied.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of Excelsior Language Academy of Hialeah Charter School's management, Board of Directors, others within the entity, the District School Board of Miami-Dade County, and the State of Florida Office of the Auditor General, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Verdeja & De Armas, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 31, 2012