

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.**  
**D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD**  
**JUNE 30, 2012**

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**GARDNER & ASSOCIATES, PA.**  
**CERTIFIED PUBLIC ACCOUNTANTS ♦ BUSINESS CONSULTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Mount Hermon Community Education Corporation, Inc.  
D/B/A Richard Allen Leadership Academy  
Miami, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Mount Hermon Community Education Corporation, Inc. D/B/A Richard Allen Leadership Academy (the "Charter School"), which is a component unit of the Miami-Dade County District School Board, Miami, Florida, as of, and for the year ended June 30, 2012, which collectively comprises the Charter School's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions on these basic financial statements based on our audits.

We conducted our audits 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 and the provision of Chapter 10.850, Charter School's audit, issued by the Auditor General of the State of Florida. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 audits provide a reasonable basis for our opinions.

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 the Charter School, 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.

## INDEPENDENT AUDITORS' REPORT - Continued

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2012, on our consideration of the Charter School's internal control over financial reporting and 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 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 3–9 and 27–28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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.

*Gardner & Associates, P.A.*

Miami, Florida  
August 24, 2012

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2012**

As management of the Mount Hermon Community Education Corporation, Inc. D/B/A Richard Allen Leadership Academy (the "Charter School"), we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here through page 9 of this report.

**Overview of the financial statements**

This discussion and analysis is intended to serve as an introduction to the Charter School's basic financial statements. The Charter School's basic financial statements are comprised of 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, which consist of the statement of net assets and the statement of activities, are designed to provide readers with a broad overview of the Charter School's finances, in a manner similar to a private sector business.

The statement of net assets provides information on all the Charter School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating. However, as a governmental entity, the Charter School's activities are not geared towards generating profit as are the activities of commercial entities. Other factors such as the safety at the Charter School and quality of education, must be considered in order to reasonably assess the Charter School's overall performance.

The statement of activities presents information showing how the Charter School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue 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 11-12 of this report.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2012**

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School, like other state and local governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Charter School has only one category of funds – governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term, inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Charter School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Charter School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 14 – 17 of this report.

**Notes to the financial statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 16-25 of this report.

**Supplementary Information**

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Charter School's adopted budget to actual results.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2012**

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following table presents an analysis of the condensed government-wide statements of net assets:

	Net Assets as of June 30, 2012	Net Assets as of June 30, 2011
Curret assets	\$ 57,194	\$ 70,631
Capital assets, net of depreciation	46,274	52,612
Total assets	<u>\$ 103,468</u>	<u>\$ 123,243</u>
Current liabilities	<u>\$ 31,433</u>	<u>\$ 54,790</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 46,274	\$ 52,612
Unrestricted	<u>25,761</u>	<u>15,841</u>
Total Net Assets	<u>\$ 72,035</u>	<u>\$ 68,453</u>

Current assets decreased by \$13,437, from the prior year due to a decrease in grants and contributions received. Capital assets and invested in capital assets decreased by \$6,338 due to a decrease in capital grant contributions and an increase in depreciation expense. The Charter School's net assets reflect its investment in capital assets (e.g. buildings, building improvements, furniture, fixtures and equipment), net of related debt. The Charter School uses its capital assets to provide services to students. Consequently, these assets are not available for future spending.

Unrestricted assets increased 63% due to a decrease in expenditures.

Resources that are subject to external restrictions on how they may be used are classified as restricted assets. As of June 30, 2012, the Charter school had no restricted assets. The remaining unrestricted balance may be used in any of the Charter School's ongoing operations.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2012**

**Government-wide financial analysis - Continued**

The following table presents information on the condensed government-wide statements of changes in net assets:

	2012	2011
Revenues:		
General revenues	\$ 617,673	\$ 612,847
Program revenues:		
Charges for services	15,547	53,042
Operating grants and contributions	110,642	94,875
Capital grants and contributions	14,540	2,154
Total revenues	<u>758,402</u>	<u>762,918</u>
Expenses:		
Instruction	185,877	295,951
Pupil personnel services	-	16,181
Instructional media services	25,735	26,626
Instructional staff training services	-	2,814
General administration	30,335	-
School administration	189,717	224,941
Fiscal services	38,000	11,783
Food services	57,710	48,043
Pupil transportation services	29,150	32,070
Operation of plant	177,418	61,822
Unallocated depreciation expense	20,878	17,971
Total expenses	<u>754,820</u>	<u>738,202</u>
Change in net assets	3,582	24,716
Net assets, beginning	68,453	43,737
Net assets, ending	<u>\$ 72,035</u>	<u>\$ 68,453</u>

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2012**

**Government-wide financial analysis - Continued**

- General revenues increased primarily because of an increase in grants and contributions since the inception of the Charter school. Presently there are 104 Students in grades kindergarten to 5<sup>th</sup> grade; revenues are based on the amount received per student from the State through the School Board of Miami-Dade County.
- Expenses for instruction are the result of teachers' salaries and related benefits.
- School administration is due primarily to management and supportive expenses.
- Expense for pupil transportation services is due to the transportation of students to and from school.
- Plant operations expenses consist of rent, utilities and insurance cost.

**Financial Analysis of the Charter School's Funds**

As noted earlier, the Charter School uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The focus of the Charter School's governmental funds is to provide information on near-term inflows, outflows and spendable resources. Such information is useful in assessing the Charter School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Charter School's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2012 the Charter School's governmental fund reported a positive ending fund balance of \$25,761, this balance increased by 63%; this represents an improvement from the prior year.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2012**

**Budgetary Highlights**

The general fund's actual expenditures were approximately \$189,912 below the budgeted amounts. The Charter School's budget-to-actual report found on page 26 – 27 reflects significant positive variances in almost all categories.

Revenues available were approximately \$186,330 below the budgeted amount. Decrease in the projected amount of potential students along with a lower than expected revenues from grants and contributions caused this decrease. As a result, the Charter School has placed special emphasis in its fundraising efforts.

**Capital Assets and Debt Administration**

As of June 30, 2012 the Charter School had investment in capital assets of \$46,274. This amount is net of accumulated depreciation of \$58,116. Capital assets additions in the current year include new computers and furniture.

The Charter School has no outstanding debt.

**Economic Factors**

During fiscal year 2012, the Charter School experienced an increase in its net assets. (The 2011/2012 gain was approximately 63%). The major contributing factors were increases in grants and contributions. During the year the Charter School received additional funds from grants and contributions, these addition funds received during the fiscal year contributed to the positive increase to net assets.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2012**

**School Enrollment**

During the fiscal years June 30, 2012, the grade levels at the Charter School ranged from Grade K through Grade 5, with a total enrollment of 104 students.

**Requests for Information**

The financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the School's finances. Questions concerning any of the information should be addressed to Mr. Paul Wiggins, Executive Director, at 17800 NW 25<sup>th</sup> Street Miami Gardens, FL 33056.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**A CHARTER SCHOOL AND COMPONENT UNIT OF THE MIAMI-DADE**

**COUNTY DISTRICT SCHOOL BOARD**

**BASIC FINANCIAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2012**

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Current Assets:	
Cash and cash equivalents	\$ 27,906
Due from other agencies	27,063
Prepaid expenses	<u>2,225</u>
	57,194
Capital assets, depreciable	104,390
Less accumulated depreciation	<u>(58,116)</u>
	46,274
Total Assets	<u><u>\$ 103,468</u></u>
<b><u>Liabilities and Net Assets</u></b>	
Current Liabilities:	
Salaries and wages payable	\$ 17,644
Accounts payable	<u>13,789</u>
Total liabilities	31,433
Net Assets:	
Invested in capital assets, net of related debt	\$ 46,274
Unrestricted	<u>25,761</u>
Total Net Assets	<u><u>72,035</u></u>
Total Liabilities and Net Assets	<u><u>\$ 103,468</u></u>

See accompanying notes to the basic financial statements

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**STATEMENT OF ACTIVITIES  
JUNE 30, 2012**

FUNCTIONS	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 185,877	\$ -	\$ 23,460	\$ -	\$ (162,417)
Instructional media services	25,735	-	-	-	(25,735)
General administration	30,335	-	-	-	(30,335)
School administration	189,717	-	-	-	(189,717)
Fiscal services	38,000	-	-	-	(38,000)
Food services	57,710	4,751	48,182	-	(4,777)
Pupil transportation services	29,150	-	-	-	(29,150)
Operation of plant	177,418	10,796	39,000	14,540	(113,082)
Unallocated depreciation expense	20,878	-	-	-	(20,878)
Total governmental activities	<u>\$ 754,820</u>	<u>\$ 15,547</u>	<u>\$ 110,642</u>	<u>\$ 14,540</u>	<u>\$ (614,091)</u>
General revenues:					
School Board of Miami- Dade County - FTE					<u>617,673</u>
Total general revenues					<u>617,673</u>
Change in net assets					3,582
Net assets - beginning					<u>68,453</u>
Net assets - ending					<u>\$ 72,035</u>

See accompanying notes to the basic financial statements

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**A CHARTER SCHOOL AND COMPONENT UNIT OF THE MIAMI-DADE**

**COUNTY DISTRICT SCHOOL BOARD**

**FUND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2012**

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2012**

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash	\$ 27,906	\$ -	\$ 27,906
Due from other agencies	-	27,063	27,063
Due from other funds	27,063		27,063
Prepaid expenses	<u>2,225</u>	<u>-</u>	<u>2,225</u>
 Total Assets	 <u><u>\$ 57,194</u></u>	 <u><u>\$ 27,063</u></u>	 <u><u>\$ 84,257</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Salaries and wages payable	\$ 17,644	\$ -	\$ 17,644
Accounts payable and accrued expenses	13,789	-	13,789
Due to other funds	<u>-</u>	<u>27,063</u>	<u>27,063</u>
 Total liabilities	 <u><u>\$ 31,433</u></u>	 <u><u>\$ 27,063</u></u>	 <u><u>\$ 58,496</u></u>
 <b>Fund Balances:</b>			
Nonspendable, not in spendable form	\$ 2,225	\$ -	\$ 2,225
Unassigned	<u>23,536</u>	<u>-</u>	<u>23,536</u>
 Total fund balances	 <u><u>25,761</u></u>	 <u><u>-</u></u>	 <u><u>25,761</u></u>
 Total Liabilities and Fund Balances	 <u><u>\$ 57,194</u></u>	 <u><u>\$ 27,063</u></u>	 <u><u>\$ 84,257</u></u>

See accompanying notes to the basic financial statements

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

Total Fund Balances- Governmental funds	\$	25,761
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Amounts reported for governmental activities in the Statement of Net  
Assets are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds.

Cost of capital assets	\$	104,390	
Accumulated depreciation		<u>(58,116)</u>	46,274
Total Net Assets - Governmental Activities	\$		<u><u>72,035</u></u>

**See accompanying notes to the basic financial statements**

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE – GOVERNMENTAL FUND  
JUNE 30, 2012**

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Miami-Dade County Public Schools	\$ 617,673	\$ -	\$ 617,673
Federal lunch program	-	48,182	48,182
Other grants	38,000	-	38,000
Local school lunch fees	-	4,751	4,751
Other revenue- contributions	45,019	4,777	49,796
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total revenues	<u>700,692</u>	<u>57,710</u>	<u>758,402</u>
Expenditures			
Current:			
Instruction	185,877	-	185,877
Instructional media Services	25,735	-	25,735
Instructional Staff training Services	-	-	-
General administration	30,335	-	30,335
School administration	189,717	-	189,717
Fiscal services	38,000	-	38,000
Food services	-	57,710	57,710
Pupil transportation services	29,150	-	29,150
Operation of plant	177,418	-	177,418
Capital outlay:	14,540	-	14,540
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total current expenditure	690,772	57,710	748,482
Excess (deficit) of revenues over expenditures	9,920	-	9,920
Fund balance, beginning of year	<u>15,841</u>	<u>-</u>	<u>15,841</u>
			-
Fund balance, end of year	<u>\$ 25,761</u>	<u>\$ -</u>	<u>\$ 25,761</u>

See accompanying notes to the basic financial statements

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT  
OF ACTIVITIES  
JUNE 30, 2012**

Changes in Fund Balance - Governmental funds	\$	9,920
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Amounts reported for governmental activities in the statement of  
Net assets are different because:

Capital outlays are reported in governmental funds as expenditures  
however, in the statement of activities, the cost of those assets is  
allocated over their estimated useful lives as depreciation expense.

Cost of capital assets purchased	\$	14,540	
Provision for depreciation		<u>(20,878)</u>	(6,338)

Change in Net Assets of Governmental Activities	\$	<u><u>3,582</u></u>
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**See accompanying notes to the basic financial statements**

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – ORGANIZATION AND OPERATIONS**

**Nature of Operations**

The Mount Hermon Community Education Corporation, Inc. (the “Charter School”) is a not-for-profit corporation, organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes. The Charter School operates under a Charter approved by its sponsor, the Miami-Dade County District School Board. The governing body of the Charter School is the not-for-profit corporation’s Board of Directors which is composed of seven (7) members.

The Charter School provides educational services to students in grades kindergarten through fifth. The core philosophy and purpose of the Charter School is to demonstrate that the Charter School’s students can learn at high levels through an academically rigorous and innovative curriculum that incorporates the development of good character.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity:**

The Charter School operates under a charter of the sponsoring school district, Miami-Dade County District School Board (the “District”). The current charter is effective until June 30, 2014, and may be renewed in increments of 5 to 15 years by mutual agreement between the Charter School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the Charter School in writing at least 90 days prior to the Charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The Mount Hermon Community Education Corporation, Inc. D/B/A Richard Allen Leadership Academy is considered a component unit of the Miami-Dade County District School Board.

Criteria of determining if other entities are potential component units which should be reported within the Charter School’s financial statements are identified and described in the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the Charter School is financially accountable and other organizations for which the nature and significance of their relationship with the

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Charter School is such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Charter School.

**Basis of presentation:**

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

**Government-wide financial statement:**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the Charter School. The effect of interfund activity, generally, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) operating grants and contributions that are used to meet the operational requirements of a particular function or program, and 2) capital grants and contributions that are restricted to meeting the capital requirements of a particular function or program.

**Fund financial statements:**

The Charter School accounts are organized on the basis of funds. The operations of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures.

*General Fund* – is the School's primary operating fund. It account for all financial resources of the school, except those required to be accounted for in another fund.

*Special Revenue Fund* – accounts for specific revenue, such as federal grants and capital outlay grants that are legally restricted to expenditures for particular purposes.

*Agency Fund* – accounts for resources of the School's Internal Fund, which is used to administer monies collected at the schools in connection with school, student athletics, class, and club activities.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Measurement focus, basis of accounting:**

The financial statements of the Charter School are prepared in accordance with generally accepted accounting principles (GAAP). The Charter School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*.

The government-wide statements are reported using the economic resources measurement focus and the full 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 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 satisfied.

The governmental fund financial statement are presented on the modified accrual basis of accounting under which revenues is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

**Capital assets**

Capital assets, which include land, buildings, building improvements, furniture and fixtures, equipment and library books are reported in the applicable governmental activities in the government-wide financial statements. Capital assets are defined by the Charter School as assets with an initial, individual cost of more than \$500 and a life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Estimated useful lives, in years, for depreciable assets are as follows:

Building and improvements	5-20 years
Furniture, equipment and computers	5 years

Donated capital assets, if any, are recorded at estimated fair value at the date of donation. Within governmental funds, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported within the governmental fund financial statements.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Due from Other Governments or Agencies**

Amounts due to the Charter School by other governments or agencies are for grants or programs under which the services have been provided by the Charter School.

**Revenue Sources**

Revenues for operations will be received primarily from the District pursuant to the funding provisions included in the Charter School's charter. In accordance with the funding provisions of the charter and section 1002.33, Florida Statutes, the Charter School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the Charter School during the designated full-time equivalent student survey periods.

The Charter School also receives Federal funding for the school food program. 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, revenues is recognized to the extent that eligible expenditures have been incurred. Also, other revenues may be derived from various fundraising activities and certain other programs.

**Compensated Absences**

The Charter School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work.

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 sick days available to be used in future benefit years.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Unearned/deferred revenues:**

Resources that do not meet revenues recognition requirements (not earned) are recorded as unearned revenues in the government-wide and the fund financial statements. In addition, amounts related to governmental fund receivables that are measurable, but not available (not received within 90 days from fiscal year end), are recorded as deferred revenues in the governmental fund financial statements.

**Equity classifications:**

*Government-wide financial statement*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on their use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation. There are no restricted net assets.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”

*Fund financial statements*

GASB Codification Section 1800.142. Fund Balance Reporting and Governmental Fund Type Definitions, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

- a. 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). All nonspendable fund balances at year end related to not in spendable asset form.
- b. Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource provider, or through enabling legislation. Restricted fund balance of the School relate to reserves required by the landlord for property maintenance and repairs.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Fund financial statements - continued*

- c. Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Charter School’s Board of Director. There are no committed fund balances at year end.
- d. Assigned – fund balance classification are intended to be used by the Charter School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e. Unassigned – fund balance is the residual classification for the Charter school’s general fund and includes all spendable amounts not contained in the other classification,

**Encumbrances**

Encumbrances represent commitments relating to unperformed contracts for goods or services. At June 30, 2012, there were no encumbrances outstanding.

**Use of estimates**

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

**Subsequent Events**

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition of disclosure through August 24, 2012, which is the date the financial statements were available to be issued.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3 - CASH AND CERTIFICATE OF DEPOSIT**

As of June 30, 2012, and the bank balance was \$27,906. The bank balance did not exceed the FDIC limit as of June 30, 2012.

The Charter School is operated under a Charter sponsored by the Miami-Dade County School District as described in Note 1. Accordingly, its bank deposits are governed by Chapter 280 of the Florida Statutes. All time and demand deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act", the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral having a market value equal to an amount from 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held.

The percentage of eligible collateral (generally, U.S. Government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its financial condition. Any 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. Therefore, all cash deposits in an approved Florida banking institution are both collateralized and insured and not subject to a concentration of credit risk or a custodial credit risk as defined in Government Accounting Standards Board ("GASB") Statement No. 40. The Charter School has no monetary assets other than cash in an approved depository.

**NOTE 4 – CAPITAL ASSETS**

	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2012</b>
Furniture, Fixtures, and Equipment	\$ 89,850	\$ 14,540	-	\$ 104,390
	89,850	14,540	-	104,390
Less: Accumulated Depreciation	(37,238)	(20,878)	-	(58,116)
Total	\$ 52,612	\$ (6,338)	-	\$ 46,274

The provision for depreciation for the year ended June 30, 2012 amounted to \$20,878.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

The Charter School's operations are located at a facility that is owned by the Mount Hermon AME Church. The Charter School is leasing its premises from the Mount Hermon AME Church, which expired on June 30, 2012. Total in-kind fees recognized from Mount Hermon AME Church for the fiscal year rental expenses in 2011/12 were approximately \$ 39,000.

During the fiscal year 2012/2013 the Charter school will be leasing another facility to house the Charter School from the Miami-Dade Public School. The fixed annual payments under this lease agreement with the Miami-Dade public schools are \$1,607 per month, only for a one year period.

**NOTE 6 – RISK MANAGEMENT**

The Charter School is exposed to various risks of loss related to torts, thefts of damage to and destruction of assets, errors and omissions and natural disasters for which the Church carried commercial insurance.

**NOTE 7- RELATED PARTY**

In accordance with the Charter Agreement, the School Board retains 5% as an administrative fee. This funding is received on a pro rata basis over the twelve-month period and is adjusted for changes in full-time equivalent student population. After review and verification of Full-Time Equivalent ("FTE") reports and supporting documentation, the Florida Department of Education may adjust subsequent fiscal period allocations of FTE funding for prior year's errors disclosed by its review as well as to prevent the statewide allocation from exceeding the amount authorized by the State Legislature.

## **SUPPLEMENTARY INFORMATION**

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variances Positive (Negative)
Revenues:				
FTE nonspecific revenues	\$ 630,000	\$ 630,000	\$ 617,673	\$ (12,327)
Operating grants and contributions	286,832	286,832	125,182	(161,650)
Charges for services	27,900	27,900	15,547	(12,353)
Total revenues	<u>944,732</u>	<u>944,732</u>	<u>758,402</u>	<u>(186,330)</u>
 Instruction	 225,922	 225,922	 185,877	 40,045
Instructional media services	7,696	7,696	25,735	(18,039)
 General administration	 31,500	 31,500	 30,335	 1,165
School administration	217,381	217,381	189,717	27,664
Fiscal services	38,000	38,000	38,000	-
Food services	51,300	51,300	57,710	(6,410)
Pupil transportation services	40,000	40,000	29,150	10,850
Operation of plant	307,933	307,933	177,418	130,515
Capital outlay	25,000	25,000	20,878	4,122
Total expenditure	<u>944,732</u>	<u>944,732</u>	<u>754,820</u>	<u>189,912</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,582</u>	<u>\$ 3,582</u>

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.  
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**NOTES TO SUPPLEMENTARY INFORMATION**

**NOTE A.**

The Charter School formally adopted a budget for the year ended June 30, 2012. Budgeted amounts may be amended by resolution or ordinance by the Board. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of the actual results of operations to the budgeted amounts for the General Fund is presented as supplementary information.

**NOTE B.**

The budget is adopted using the same basis of accounting on which the financial statements are prepared also included is a 5% administrative charge that is retained by the School Board of Miami-Dade County. This amount is reflected on the Charter School's budget, for fiscal year 2011/2012 this amount was approximately \$30,000.

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

To the Board of Directors  
Mount Hermon Community Education Corporation, Inc.  
D/B/A Richard Allen Leadership Academy  
Miami, Florida

We have audited the basic financial statements of the governmental activities and each major fund of Mount Hermon Community Education Corporation, Inc. D/B/A Richard Allen Leadership Academy (the "Charter School"), a component unit of the Miami-Dade County District School Board, as of and for the year ended June 30, 2012, and have issued our report thereon dated August 24, 2012. We conducted our audit in accordance with 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.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 the Board of Directors, management, the Miami-Dade County District School Board and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Gardner & Associates, P.A

Miami, Florida  
August 24, 2012

**MANAGEMENT LETTER  
REQUIRED BY CHAPTER 10.850 RULES OF THE AUDITOR GENERAL OF  
THE STATE OF FLORIDA**

To the Honorable Board of Directors  
Mount Hermon Community Education Corporation, Inc.  
D/B/A Richard Allen Leadership Academy  
Miami, Florida

We have audited the financial statements of the Mount Hermon Community Education Corporation, Inc. D/B/A Richard Allen Leadership Academy (the "Charter School"), Florida, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated August 24, 2012.

We conducted our audit 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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated August 24, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provision of Chapter 10.850, Rules of the Auditor General, which governs the conduct of Charter School and similar entities audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

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 or recommendations 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 did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contract 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 statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control 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 The Richard Allen Leadership Academy.

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 The Richard Allen Leadership Academy did not meet any of the conditions described in Section 218.503(1), Florida statutes.

Pursuant to Section 10.854(1) (e) 7.a. and 10.855(11), Rules of the Auditor General, we applied financial assessment procedures. It is management's responsibility to monitor the Richard Allen Leadership Academy's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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 management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Gardner & Associates, P.A*

Miami, Florida  
August 24, 2012