

**MATER PERFORMING ARTS
& ENTERTAINMENT
ACADEMY
(A Charter School Under
Mater Academy, Inc.)**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2008**

**BERMAN HOPKINS
WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP**

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MATER PERFORMING ARTS & ENTERTAINMENT ACADEMY

(A Charter School Under Mater Academy, Inc.)

7901 N.W. 103rd Street
Hialeah Gardens, Florida 33016
(305) 828-1886

2007-2008

BOARD OF DIRECTORS

Antonio Roca, Esq., Chair
Roberto Blanch
Shannine Sadesky
Juan Garcia
Elizabeth Nuevo

SCHOOL ADMINISTRATION

Judith Marty, Principal
Christine McGuinn, Assistant Principal

ORGANIZATION'S MANAGEMENT

Academica Dade, LLC
6361 Sunset Drive
Miami, Florida 33143

Officers :

Fernando Zulueta, President
Magdalena Fresen, Vice President, Treasurer
Amy Nunez, Secretary

Partners:

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James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mater Performing Arts & Entertainment Academy
(A Charter School Under Mater Academy, Inc.)
Hialeah Gardens, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mater Performing Arts & Entertainment, (A Charter School Under Mater Academy, Inc), (the "School") a component unit of the District School Board of Miami-Dade County, as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements, as listed in the table of contents. These 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.



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.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2008, and the changes in financial position for the year then ended, and is not intended to be a complete presentation of Mater Academy, Inc.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting standards generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2008, 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.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the financial statements but are supplemental information required by Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

August 15, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

The corporate officers of the Mater Performing Arts & Entertainment Academy (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of the School exceeded its liabilities at June 30, 2008 by \$1,171,510 (net assets).
- At year-end, the School had current assets on hand of \$1,174,300.
- The net assets of the School increased by \$553,093 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, 2008 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 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 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 8 - 9 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 School's funds 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.

The Board of the School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 10 - 13 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 14 - 22 of this report.

Government-Wide Financial Analysis

Assets exceeded liabilities by \$1,171,510 at the close of the fiscal year. As noted earlier, net assets may serve over time as a useful indicator of a charter school's financial position. A summary of the School's assets as of June 30, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 1,170,370	\$ 592,300
Accounts receivable	-	225
Due from other agencies	3,930	24,947
Capital assets	<u>60,021</u>	<u>54,455</u>
Total assets	<u>1,234,321</u>	<u>671,927</u>
Accounts payable	15,303	-
Salaries and wages payable	25,484	37,865
Due to other schools	<u>22,024</u>	<u>15,645</u>
Total liabilities	<u>62,811</u>	<u>53,510</u>
Invested in capital assets	60,021	54,455
Unrestricted	<u>1,111,489</u>	<u>563,962</u>
Total net assets	<u>\$ 1,171,510</u>	<u>\$ 618,417</u>

At the end of the fiscal year, the School reported positive balances in total net assets.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 106,744	\$ 42,570
Capital outlay funding	160,755	140,941
State through local school district	1,093,938	843,805
Charges for services	23,156	114,328
Miscellaneous	8,787	5,051
Total revenues	<u>1,393,380</u>	<u>1,146,695</u>
Expenses:		
Component unit activities:		
Instruction	255,209	411,917
Instructional staff training services	3,032	4,949
Board	12,188	8,161
School administration	149,224	79,734
Fiscal services	26,437	20,775
Food services	76,521	58,215
Central services	26,437	20,775
Staff services	-	6,090
Pupil transportation services	120	736
Operation of plant	289,819	209,247
Maintenance of plant	1,300	-
Total expenses	<u>840,287</u>	<u>820,599</u>
Increase in net assets	553,093	326,096
Net assets at beginning of year	<u>618,417</u>	<u>292,321</u>
Net assets at end of year	<u>\$ 1,171,510</u>	<u>\$ 618,417</u>

Mater Performing Arts & Entertainment Academy's revenue increased by \$246,685 in the current year primarily due to an increase in student enrollment. The School also had an increase of expenses for the year of \$19,688. The largest increases in expenses were for school administration, food services and operation of plant. Basic instruction decreased due to reallocation of instructional staff. Food services increased as the School was allocated a portion of the food service program's revenues and expenses from Mater Academy Charter High. The financial position of the School has improved during the current year. In addition, the School increased its cash by \$578,070 and had a large increase in capital assets. The School had an increase in its net assets (change in net assets) of \$553,093 for the year.

Lease of Facility

The School leases a facility located at 7901 NW 103rd Street, Hialeah Gardens, Florida 33016.

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

Accomplishments

In 2008, Mater Performing Arts and Entertainment Academy earned a letter grade of "A" under the Florida School Recognition Program, and was among the top-performing high schools in Miami-Dade County. Out of non-magnet high schools, it ranked 3rd in the entire school district, based on the points that the school received under the State of Florida Accountability Program. The School received a "School Recognition Award" from the State of Florida and the "Superintendent's Platinum Award" for its achievements.

Mater Performing Arts and Entertainment Academy provides its students with a rigorous college preparatory curriculum, with an emphasis in the performing arts. This past spring, the Mater Performing Arts and Entertainment Academy Drama students won first place state-wide in the Drama Competition, and were selected to represent the State of Florida in the national competition. Mater Performing Arts and Entertainment Academy is recognized and accredited by the Southern Association of Colleges and Schools.

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, *unreserved 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 fund reported a fund balance of \$1,111,489.

Capital Assets

The School's investment in capital assets as of June 30, 2008 amounts to \$60,021 (net of accumulated depreciation). This investment in capital assets include furniture, fixtures and equipment.

General Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. During the year there was a decrease in appropriations of approximately a \$153,000 from the original to final amended budget. The decrease was due mainly to an expected decrease in student enrollment from the original budget. Additionally, budgeted appropriations exceeded actual expenditures by \$265,730. This excess was a result of anticipating more salary expenses, management fees, and depreciation than was realized.

Request for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC 6361 Sunset Drive, Miami, Florida 33143.

**Mater Performing Arts & Entertainment Academy
(A Charter School Under Mater Academy, Inc.)**

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,170,370
Due from other agencies	3,930
Total current assets	<u>1,174,300</u>
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Furniture, fixtures and equipment	57,928
Audio visual materials	2,093
Total capital assets	<u>60,021</u>
Total assets	<u>1,234,321</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	15,303
Accrued payroll and payroll taxes	25,484
Due to other schools	22,024
Total liabilities	<u>62,811</u>
NET ASSETS	
Investment in capital assets	60,021
Unrestricted	1,111,489
Total net assets	<u>\$ 1,171,510</u>

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

**Mater Performing Arts & Entertainment Academy
(A Charter School Under Mater Academy, Inc.)**

STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 255,209	\$ -	\$ 75,403	\$ -	\$ (179,806)
Staff development	3,032	-	-	-	(3,032)
Board of directors	12,188	-	-	-	(12,188)
School administration	149,224	-	-	-	(149,224)
Fiscal services	26,437	-	-	-	(26,437)
Food services	76,521	23,156	31,341	-	(22,024)
Central services	26,437	-	-	-	(26,437)
Transportation	120	-	-	-	(120)
Plant	289,819	-	160,755	-	(129,064)
Maintenance of plant	1,300	-	-	-	(1,300)
Total governmental activities	\$ 840,287	\$ 23,156	\$ 267,499	\$ -	(549,632)
General revenues:					
State through local school district					1,093,938
Other income					8,787
Total general revenues					1,102,725
Change in net assets					553,093
Net assets at July 1, 2007					618,417
Net assets at June 30, 2008					\$ 1,171,510

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

**Mater Performing Arts & Entertainment Academy
(A Charter School Under Mater Academy, Inc.)**

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,170,370	\$ -	\$ -	\$ 1,170,370
Due from other agencies	-	3,930	-	3,930
Due from other funds	3,930	-	-	3,930
Total assets	\$ 1,174,300	\$ 3,930	\$ -	\$ 1,178,230
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 15,303	\$ -	\$ -	\$ 15,303
Accrued payroll and payroll taxes	25,484	-	-	25,484
Due to other funds	-	3,930	-	3,930
Due to other schools	22,024	-	-	22,024
Total liabilities	62,811	3,930	-	66,741
FUND BALANCE				
Unreserved	1,111,489	-	-	1,111,489
Total fund balances	1,111,489	-	-	1,111,489
Total liabilities and fund balance	\$ 1,174,300	\$ 3,930	\$ -	\$ 1,178,230

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

**Mater Performing Arts & Entertainment Academy
(A Charter School Under Mater Academy, Inc.)**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS**

June 30, 2008

Fund balances - total governmental funds	\$ 1,111,489
The net assets 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 governmental funds. Those assets consist of:	
Furniture, fixtures and equipment, net of \$31,493 accumulated depreciation.	\$ 57,928
Audio visual materials, net of \$897 accumulated depreciation.	<u>2,093</u>
Total capital assets	<u>60,021</u>
Total net assets of governmental activities	<u><u>\$ 1,171,510</u></u>

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

**Mater Performing Arts & Entertainment Academy
(A Charter School Under Mater Academy, Inc.)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS**

For the year ended June 30, 2008

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through local school district	\$ -	\$ -	\$ 75,403	\$ 75,403
Federal passed through state	-	-	31,341	31,341
State passed through local school district	1,093,938	160,755	-	1,254,693
Student lunches	-	-	23,156	23,156
Other income	8,787	-	-	8,787
Total revenues	<u>1,102,725</u>	<u>160,755</u>	<u>129,900</u>	<u>1,393,380</u>
Expenditures				
Current:				
Basic instruction	169,971	-	75,403	245,374
Staff development	3,032	-	-	3,032
Board of directors	12,188	-	-	12,188
School administration	149,224	-	-	149,224
Fiscal services	26,437	-	-	26,437
Food services	-	-	76,521	76,521
Central services	26,437	-	-	26,437
Transportation	120	-	-	120
Plant	122,603	160,755	-	283,358
Maintenance of plant	1,300	-	-	1,300
Fixed capital outlay	21,862	-	-	21,862
Total expenditures	<u>533,174</u>	<u>160,755</u>	<u>151,924</u>	<u>845,853</u>
Excess (deficiency) of revenues over (under) expenditures	<u>569,551</u>	<u>-</u>	<u>(22,024)</u>	<u>547,527</u>
Other financing sources (uses):				
Transfers in	-	-	22,024	22,024
Transfers out	(22,024)	-	-	(22,024)
Total other financing sources (uses)	<u>(22,024)</u>	<u>-</u>	<u>22,024</u>	<u>-</u>
Net change in fund balances	547,527	-	-	547,527
Fund balances at July 1, 2007	563,962	-	-	563,962
Fund balances at June 30, 2008	<u>\$ 1,111,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,111,489</u>

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

**Mater Performing Arts & Entertainment Academy
(A Charter School Under Mater Academy, Inc.)**

**RECONCILIATION OF THE SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2008

Net change in fund balances - total government funds		\$ 547,527
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report fixed capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Total fixed capital outlay	\$ 21,862	
Less depreciation	<u>(16,296)</u>	<u>5,566</u>
Change in net assets of governmental activities		<u><u>\$ 553,093</u></u>

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

**Mater Performing Arts & Entertainment Academy
(A Charter School under Mater Academy, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Mater Performing Arts & Entertainment Academy (the "School") is a charter school under Mater Academy, Inc., which is a not-for-profit corporation organized in the State of Florida. The School is located in Hialeah Gardens, Florida serving children from ninth through twelfth grade. The governing body of the School is the Board of Directors (the "Board"), which is composed of five members. The financial information presented is that of Mater Performing Arts & Entertainment Academy only.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the Miami-Dade County Public School District (the "District"). The current charter is effective until June 30, 2015 and may be renewed for an additional 15 years by mutual written agreement between the School and the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of such District. The School is funded by the District and in addition, receives government grants.

These financial statements are for the year ended June 30, 2008, when 176 students were enrolled for the school year.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are divided into three categories: amounts invested in capital assets; restricted net assets; and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

**Mater Performing Arts & Entertainment Academy
(A Charter School under Mater Academy, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues. Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Two of the School's funds were deemed to be major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. Agency funds have no measurement focus. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund - the general operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

**Mater Performing Arts & Entertainment Academy
(A Charter School under Mater Academy, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting and financial statement presentation (continued)

Capital Outlay Fund - in accordance with guidelines established by the School District of Miami-Dade County, Florida, this fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Cash and cash equivalents

Cash includes cash on hand, checking accounts, and all highly liquid investments with a maturity of three months or less.

5. Due from other governments or agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School. The School's management determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Interfund activity

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds.

Transfers are primarily used to move unrestricted general fund revenues to finance programs (i.e. National School Lunch Program) that the government must account for in other funds.

7. Capital assets, depreciation and amortization

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$500 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**Mater Performing Arts & Entertainment Academy
(A Charter School under Mater Academy, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Capital assets, depreciation and amortization (continued)

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

Furniture, fixtures and equipment	5
Audio visual materials	5

8. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District to the School pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

9. Compensated absences

The School grants a specific number of days of sick/personal leave to its employees. Full time instructional employees are eligible for one day per month up to ten days of active work during the ten month period. Employees and administrators have the option to carry forward unused days at year end. The employee can only cash out if they have used three days or less in that school year. The employees cannot cash out more than ten days per school year and are required to always maintain a minimum of ten days unused sick/personal leave. The cash out value is eighty percent of their daily rate.

**Mater Performing Arts & Entertainment Academy
(A Charter School under Mater Academy, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Use of estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE B – CASH AND CASH EQUIVALENTS

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk, however it mitigates the custodial risk for deposits by only doing business with large national banks. At June 30, 2008, the School had a bank balance of \$101,494. Of the bank balance, \$1,494 was not insured by the federal deposit insurance.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate.

At June 30, 2008, the School's investments included the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date less than one month</u>
Repurchase agreement	\$ 1,091,000	\$ 1,091,000

NOTE C - INCOME TAXES

The School is a charter school under Mater Academy, Inc., which qualifies as a tax-exempt organization under 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.

NOTE D - DUE FROM OTHER AGENCIES

Due from other agencies is comprised of amounts due from the Miami-Dade School Board as follows:

Capital outlay	\$ 3,930
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**Mater Performing Arts & Entertainment Academy
(A Charter School under Mater Academy, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE E - CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2008:

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
Capital Assets				
Furniture, fixtures and equipment	\$ 67,559	\$ 21,862	\$ -	\$ 89,421
Audio visual materials	2,990	-	-	2,990
Total assets depreciated	<u>70,549</u>	<u>\$ 21,862</u>	<u>\$ -</u>	<u>92,411</u>
Less accumulated depreciation:				
Furniture, fixtures and equipment	15,795	\$ 15,698	\$ -	31,493
Audio visual materials	299	598	-	897
Total accumulated depreciation	<u>16,094</u>	<u>\$ 16,296</u>	<u>\$ -</u>	<u>32,390</u>
Capital assets, net	<u>\$ 54,455</u>			<u>\$ 60,021</u>

Depreciation expense for the year ended June 30, 2008 was charged to functions of the School as follows:

Basic instruction	\$ 9,835
Operation of plant	<u>6,461</u>
	<u>\$ 16,296</u>

**Mater Performing Arts & Entertainment Academy
(A Charter School under Mater Academy, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F - CONCENTRATIONS

Revenue sources

As stated in Note A-8, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Sources	Amounts
Miami-Dade County Public School District :	
Base funding	\$ 772,204
Discretionary millage	77,700
Discretionary lottery	8,543
Declining enrollment	5,271
Instructional materials allocation	17,177
Supplemental academic instruction	67,571
Exceptional student education guaranteed allocation	23,364
Safe schools	5,875
Class size reduction funds	175,216
Administration fee withheld (5%)	(58,023)
Other school board deductions	(1,650)
Subtotal	1,093,248
Capital outlay	160,755
Title I - School wide	23,735
Title I - Reading leader	51,668
Other state revenue	690
Total from Miami-Dade County Public School District :	1,330,096
Other revenue	
National School Lunch Program	31,341
Student lunch receipts	23,156
Other income	8,787
	\$ 1,393,380

**Mater Performing Arts & Entertainment Academy
(A Charter School under Mater Academy, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G - COMMITMENTS AND CONTINGENCIES

1. Management services contract

The School has entered into an agreement with Academica Dade, LLC (the "management company"), a professional charter school management company, to provide management and administrative services to the School. In providing management services to the School, officers of the management company may not serve as members of the Board of Directors of a school. The contract calls for a fee of \$450 per student per year and extends through June 30, 2010, with an option to renew by the School. During the year ended June 30, 2008, the School incurred \$79,310, in management fees, of which no amounts were due to the management company at year end.

2. Facility usage agreement

The School has entered into a facility usage agreement with Mater Academy Charter High School. The School will pay Mater Academy Charter High School a flat monthly fee based on a monthly student cost allocation ratio. The length of the agreement extends from June 1, 2001 through July 31, 2008 and contains an option to renew annually by the School. Total rent payments charged to the School under this agreement amounted to \$160,755 for the year ended June 30, 2008.

Future minimum payments under this agreement are as follows:

<u>June 30,</u>	<u>Amount</u>
2009	<u>\$ 13,396</u>

NOTE H - RELATED PARTY TRANSACTIONS

The Board believes that it is independent of the management company and is not influenced by the management company in its decision-making if the Board feels it is not in the best interest of the School. In keeping with the requirements for providing full disclosure, items 1 and 2 are disclosed below.

1. Management service contract

The management company, Academica Dade, LLC provides oversight and management services based on a contractual arrangement with the school. In its capacity as the management company, Academica Dade, LLC manages the finances and operations and makes recommendations to the school's independent board of directors, which makes the final determinations regarding policies and contracts. Management fees total \$79,310 for the year ending June 30, 2008.

**Mater Performing Arts & Entertainment Academy
(A Charter School under Mater Academy, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE H - RELATED PARTY TRANSACTIONS (continued)

2. Usage agreement

School Development H G II, LLC and Duke Schools Properties, LLC owns property which is leased to Mater Academy Charter High School which is then sub-rented to Mater Performing Arts & Entertainment (see Note G-2). Members of each of these companies are also stockholders of a Company that is the sole owner of Academica Dade, LLC, which manages the School (see Note G-1).

3. Due to other schools

The School's facility is shared with Mater Academy Charter High School and Mater Academy Charter Middle School (see Note G), which are operated by Mater Academy, Inc. Management allocates a proportionate share of leases, salaries, lunch receipts, food and supplies, and other expenses to each school individually based on student enrollment and usage of facilities and staff.

The amounts due to other schools consist of the following at June 30, 2008:

Due to Mater Academy Charter High School	<u>\$ 22,024</u>
--	------------------

NOTE I - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; general liabilities; and natural disasters for which the School carries commercial liability insurance. Under the plan for property insurance, the School's has no liability per occurrence. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

REQUIRED SUPPLEMENTAL INFORMATION

**Mater Performing Arts & Entertainment Academy
(A Charter School Under Mater Academy, Inc.)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND**

For the year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
FTE	\$ 1,140,000	\$ 1,026,000	\$ 1,093,938	\$ 67,938
Other revenue	-	-	8,787	8,787
Total revenues	<u>1,140,000</u>	<u>1,026,000</u>	<u>1,102,725</u>	<u>76,725</u>
Expenses:				
Salaries	436,000	333,338	234,147	99,191
Benefits	80,000	80,000	43,009	36,991
Professional technical services	350,000	300,000	218,627	81,373
Materials and supplies	20,000	20,000	12,822	7,178
Depreciation	50,000	50,000	16,296	33,704
Other	10,000	10,000	2,707	7,293
Total expenses	<u>946,000</u>	<u>793,338</u>	<u>527,608</u>	<u>265,730</u>
Change in net assets (budgetary basis)	<u>\$ 194,000</u>	<u>\$ 232,662</u>	<u>\$ 575,117</u>	<u>\$ 342,455</u>

See accompanying notes to required supplemental information.

**Mater Performing Arts & Entertainment Academy
(A Charter School Under Mater Academy, Inc.)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
CAPITAL OUTLAY FUND**

For the year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Capital outlay	\$ 200,000	\$ 171,000	\$ 160,755	\$ (10,245)
Total revenue	200,000	171,000	160,755	(10,245)
Expenditures				
Rent and utilities	200,000	171,000	160,755	10,245
Total expenses	200,000	171,000	160,755	10,245
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to required supplemental information.

**Mater Performing Arts & Entertainment Academy
(A Charter School under Mater Academy, Inc.)**

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2008

NOTE A - BUDGETARY INFORMATION

1. Budgetary basis

The School's annual budget is adopted for the entire operations at the full accrual combined governmental level and may be amended by the Board. Since the budgetary basis differs from generally accepted accounting principles ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. The budget presented for the year ended June 30, 2008 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 fund and each major special revenue fund for which a legally adopted budget exists.

2. Reconciliation of budgetary comparison information to GAAP information

A reconciliation to excess of revenues over expenditures presented in conformity with generally accepted accounting principles for the general fund is set forth as follows:

Change in net assets (budgetary basis)	\$ 575,117
Adjustment to conform to GAAP:	
Depreciation expense on capital assets	16,296
Capital outlay expenditures	<u>(21,862)</u>
Excess of revenues over expenditures (GAAP Basis)	569,551
Other financing uses	
Transfers out to special revenue funds	<u>(22,024)</u>
Net change in fund balance	547,527
Fund balances at July 1, 2007	563,962
Fund balances at June 30, 2008	<u><u>\$ 1,111,489</u></u>

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss, Jr.
Phillip J. Hayes
Brian L. Nemeroff

**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
Mater Performing Arts & Entertainment Academy
(A Charter School Under Mater Academy, Inc.)
Hialeah Gardens, Florida



We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mater Performing Arts & Entertainment Academy, (A Charter School Under Mater Academy, Inc), (the "School") a component unit of the District School Board of Miami-Dade County, as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 15, 2008. 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.

BREVARD OFFICE
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Melbourne, FL 32940
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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.

ORLANDO OFFICE
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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects 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 School's financial statements is more than inconsequential will not be prevented or detected by the School's internal control.

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

We noted certain matters that we have reported in the management letter dated August 15, 2008.

The School's response to our findings identified in our audit is described in the accompanying letter of management response. We did not audit Mater Performing Arts & Entertainment Academy's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Mater Performing Arts & Entertainment Academy's management, Board of Directors, others within the entity, the District School Board of Miami-Dade County, 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.

August 15, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss, Jr.
Phillip J. Hayes
Brian L. Nemeroff

MANAGEMENT LETTER

Board of Directors
Mater Performing Arts & Entertainment Academy
(A Charter School Under Mater Academy, Inc.)
Hialeah Gardens, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mater Performing Arts & Entertainment Academy (A Charter School Under Mater Academy, Inc.), (The "School"), a component unit of the District School Board of Miami-Dade County as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated August 15, 2008.

We issued our report on internal control over financial reporting and on compliance and other matters dated August 15, 2008. Disclosures in that report, if any, should be considered in conjunction with this management letter.

The discussion required by the rules of the Auditor General follows:

1. See the attached list for corrective actions, if any, that have been taken to address any significant findings and recommendations made in the preceding annual financial audit report, not otherwise, addressed in the auditors report pursuant to Rule 10.856(2)(b)(2).
2. In connection with our audit, we determined that the School has not met one of the conditions described in Section 218.503(1)(e), Florida Statutes.
3. We have applied financial assessment procedures pursuant to the rules of the Auditor General 10.855(10). There are no deteriorating financial conditions disclosed pursuant to Section 218.39(5), Florida Statutes.
4. See the attached list for any recommendations to improve the School's financial management.
5. Based on our professional judgment, see attached recommendations documenting matters that were inconsequential to the determination of the financial statement amounts considering both quantitative and qualitative factors, including, but not limited to, the following:
 - a. Violations of laws, rules, regulations, contracts, and grant agreements or abuse that: (1) have occurred, or are likely to have occurred; and (2) were discovered within the scope of the financial audit



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- b. Improper expenditures or illegal acts that would have an immaterial effect on the financial statements.
 - c. Control deficiencies that are not significant deficiencies, including, but not limited to:
 - Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
 - Failures to properly record financial transactions.
 - Inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.
6. The official title of the School is *Mater Performing Arts & Entertainment Academy*, a Charter School Under Mater Academy, Inc., which 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.

This report is intended solely for the information and use of Mater Performing Arts & Entertainment Academy's management, the Board of Directors, the District School Board of Miami-Dade County, 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.

August 15, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

PREDECESSORS AUDITORS' FINDINGS - Corrected

Transactions with affiliated entities

Transactions with affiliated entities were noted. Certain board members and employees of the School serve as board members of other Schools.

Status as of June 30, 2007 – Repeated.

Status as of June 30, 2008 – The issue has been resolved.

Prior Year Recommendations - Repeated

07-1 Budgetary comparison

Criteria: Governmental Accounting Standards require a government to present a budgetary comparison for the general fund and each major special revenue fund for which a budget is legally adopted.

Condition: The School's operating budget does not segregate the general fund from major special revenue funds (i.e. capital outlay). The budget is prepared on the full accrual basis of accounting, instead of modified accrual, therefore, capital expenditures are not budgeted.

Cause: Management of the School was not aware of this reporting requirement.

Effect: The School is not in accordance with Government Accounting Standards which require the budgetary comparison be presented on the modified accrual basis of accounting.

Auditors' recommendation: Management prepares a preliminary and amended budget for each general and major special revenue fund.

Status of June 30, 2008:

Criteria: Financial and Program Cost Accounting and Reporting for Florida Schools ("Redbook") requires the budgetary comparison be presented on the modified accrual basis of accounting by fund and is to be amended when necessary.

Condition: The School's operating budget does not segregate the School's general fund from its major special revenue funds (i.e. capital outlay). The budget is prepared on a full accrual basis of accounting, instead of modified accrual; therefore, capital expenditures are not budgeted.

Effect: The School is not in compliance with Redbook.

Auditor recommendation: We recommend that management prepares budgets for all funds.

Prior Year Recommendations – Repeated (continued)

07-2 Financial and Program Cost Accounting and Reporting for Florida Schools

Criteria: The School's charter agreement with the District School Board of Miami-Dade County requires in Part IV, A, (6), that the School "utilize the state codification of accounts as contained in the Financial and Program Cost Accounting and Reporting for Florida Schools" (Redbook).

Condition: The School does not report its revenues and expenditures by fund in accordance with the Redbook. Although, the School maintains separate cash accounts for most of its special revenue, Title I - Reading Leader salaries were paid from the operating account.

Cause: Management of the School was not aware of this reporting requirement.

Effect: Expenditures related to restricted revenue were incorrectly reported in the general fund instead of a special revenue fund.

Auditors' recommendation: Management of the School should account for its special revenue funds separately from its general fund.

Status as of June 30, 2008:

Condition: The School does not report its revenues and expenditures by fund in accordance with the Redbook. Although, the School maintains separate cash accounts for most of its special revenue, Title I - Reading Leader salaries were paid from the operating account.

Effect: Expenditures related to restricted revenue were incorrectly reported in the general fund instead of a special revenue fund.

Auditor recommendation: We recommend that management of the School budget and account for its special revenue funds separately from its general fund.

Mater Academy Performing Arts & Entertainment Academy

September 3, 2008

Ross A. Whitley
Berman Hopkins Wright & LaHam, CPAs & Associates, LLP
8035 Spyglass Hill Road
Melbourne, FL 32940

RE: MANAGEMENT'S RESPONSES TO AUDITOR'S RECOMMENDATIONS

Dear Mr. Whitley:

The following is the response by the School's Board of Directors to your recommendations:

PRIOR YEAR RECOMMENDATIONS

07-1 Recommendation – Budgetary Comparison

Management prepares a preliminary and amended budget for each general and major special revenue fund.

Management Response

Management will follow the auditor's recommendation and prepare a preliminary and amended budget for each general and major special revenue fund.

07-2 Recommendation – Financial and Program Cost Accounting and Reporting for Florida Schools

Management of the School should account for its special revenue funds separately from its general fund.

Management Response

The School will adopt the auditor's recommendation and account for its special revenue funds separately from its general fund.

CURRENT YEAR RECOMMENDATIONS

None

Sincerely,



Ana Maria Martinez

Authorized Signor for Mater Academy, Inc.