

ADVANCED LEARNING CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2012

ADVANCED LEARNING CHARTER SCHOOL, INC.
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ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

As management of Advanced Learning Charter School (the "School"), a component unit of the School Board of Miami-Dade County, Florida, and Advanced Learning Charter School, Inc. (the "Charter Holder") we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2012 to (a) assist the reader in focusing on significant financial issues, (b) provide and overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements starting on page 9.

Financial Highlights

- Liabilities exceeded assets at the end of the fiscal year by \$83,804.
- Current assets exceeded current liabilities at the end of the fiscal year by \$91,753.
- The change in net assets for the year ended June 30, 2012 was \$75,933.
- The balance of the School's Credit Facility at the end of the fiscal year was \$140,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The 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 supplementary information in addition to the basic financial statements.

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, with the differences 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 School is improving or deteriorating.

The Statement of Activities presents information showing how the 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.

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state and federal funding (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the Miami-Dade County School Board. The School Board of Miami-Dade County, Florida includes the operations of the School in their operational results.

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

Fund Financial Statements A fund is a collection of related accounts grouped together to maintain control over resources that have been segregated for specific activities and objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

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 a government'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 in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains three individual government funds. Information is presented separately in the governmental fund balance sheet and statement of revenue, expenditures and changes in fund balances. The general fund, special revenue fund, and capital outlay fund are considered to be major funds. The basic governmental fund financial statements can be found on pages 11 thru 14 of this report.

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules have been provided to demonstrate compliance with this budget and can be found on pages 25 through 27 of this report.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes the financial statements can be found starting on page 15 of this report.

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Government-wide Financial Analysis

As noted previously, net assets serve, over time, as a useful indicator of the School's financial position. For the years ended June 30, 2012 and 2011, the School's liabilities exceeded assets by \$83,804 and \$159,737 respectively. The School began school operations and accepted its first students in August 2009.

The largest portion of the School's net assets reflect an investment of \$296,035 in capital assets (i.e., leasehold improvements, furniture, fixtures and equipment, audio visual equipment, and computers and peripherals), net of associated accumulated depreciation. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. A detailed description of the School's capital asset activity can be found in Note 3 of the Financial Statements on page 21 of this report.

**Advanced Learning Charter School, Inc.
Statements of Net Assets**

	Governmental Activities		
	<u>2012</u>	<u>2011</u>	<u>Variance</u>
ASSETS			
Current and other assets	\$ 186,578	\$ 288,439	\$ (101,861)
Capital assets, net of depreciation	<u>296,035</u>	<u>304,496</u>	<u>(8,461)</u>
Total assets	<u>\$ 482,613</u>	<u>\$ 592,935</u>	<u>\$ (110,322)</u>
LIABILITIES			
Current and other liabilities	\$ 94,825	\$ 126,191	\$ (31,366)
Long-term liabilities	<u>471,592</u>	<u>626,481</u>	<u>(154,889)</u>
Total liabilities	<u>\$ 566,417</u>	<u>\$ 752,672</u>	<u>\$ (186,255)</u>
NET ASSETS			
Investment in capital assets	\$ 296,035	\$ 304,496	\$ (8,461)
Restricted assets	-	-	-
Unrestricted (deficit)	<u>(379,839)</u>	<u>(464,233)</u>	<u>84,394</u>
Total net assets (deficit)	<u>\$ (83,804)</u>	<u>\$ (159,737)</u>	<u>\$ 75,933</u>

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Government-wide Financial Analysis (Continued)

**Advanced Learning Charter School, Inc.
Statement of Activities**

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Revenue			
Federal through Local	\$ 321,621	\$ 339,828	\$ (18,207)
State and Local	2,790,553	2,451,780	338,773
Other revenue	<u>206,631</u>	<u>136,971</u>	<u>69,660</u>
Total revenue	<u>3,318,805</u>	<u>2,928,579</u>	<u>390,226</u>
Expenditures			
Instruction	1,488,762	1,100,260	388,502
Instruction & Curriculum Dev Services	9,575	49,858	(40,283)
General Administration	753,213	817,637	(64,424)
School Administration	274,534	240,776	33,758
Facilities Acquisition and Construction	17,165	6,017	11,148
Fiscal Services	60,000	60,000	-
Food Services	332,150	221,037	111,113
Operation of Plant	130,789	126,256	4,533
Maintenance of Plant	14,625	12,586	2,039
Community Services	<u>162,059</u>	<u>90,616</u>	<u>71,443</u>
Total expenditures	<u>3,242,872</u>	<u>2,725,043</u>	<u>517,829</u>
Change in net assets	75,933	203,536	(127,603)
Fund balance at the beginning of the year	<u>(159,737)</u>	<u>(363,273)</u>	<u>203,536</u>
Fund balance at the end of the year	<u>\$ (83,804)</u>	<u>\$ (159,737)</u>	<u>\$ 75,933</u>

Financial Analysis of the Governmental Funds

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

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Financial Analysis of the Governmental Funds (Continued)

The general fund is the chief operating fund of the School. At the end of the current fiscal year, the School's governmental general fund reported an ending fund balance of \$91,753, which is unassigned and available for spending at the School's discretion. These funds will be available for the School's future ongoing operations.

Governmental Fund Budgetary Highlights

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

	Budget		Actual
	Original	Final	
Revenue			
FTE Funding	\$ 2,607,778	\$ 2,641,401	\$ 2,641,401
Charter Capital Outlay	130,000	149,152	149,152
Title 1	84,732	84,732	84,732
NSLP and Lunch Fees	210,000	260,000	263,261
After Care and Summer Program	110,000	165,000	169,265
Other Revenue	-	10,000	10,994
Gross Revenue	<u>3,142,510</u>	<u>3,310,285</u>	<u>3,318,805</u>
Expenditures			
Instructional	1,322,400	1,442,732	1,436,092
Instruction & Curriculum Development Services	18,000	10,000	9,575
General Administration	655,859	649,152	658,102
School Administration	251,623	282,000	276,109
Facility Acquisition and Construction	68,000	70,000	59,799
Fiscal Services	60,000	60,000	60,000
Food Services	257,213	335,000	332,150
Operation of Plant	145,222	145,000	130,789
Maintenance of Plant	21,900	20,000	14,625
Community Services	90,000	165,000	162,059
Total Expenditures	<u>2,890,217</u>	<u>3,178,884</u>	<u>3,139,300</u>
Excess Revenues over Expenditures	<u>\$ 252,293</u>	<u>\$ 131,401</u>	<u>\$ 179,505</u>

Governmental Fund Budgetary Highlights (Continued)

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year. The Final Budget was formulated based on actual FTE counts and staffing levels.

Capital Assets and Debt Administration

Capital Assets The School's investment in capital assets for its governmental activities as of June 30, 2012 was \$296,035, net of accumulated depreciation. This investment in capital assets includes leasehold improvements, furniture fixtures and equipment, audio visual equipment, and computers and peripherals. Additional information on the School's capital assets can be found in Note 3 of the Financial Statements on page 21 of this report.

Debt Administration The School's long-term liabilities at June 30, 2012 totaled \$566,417. This balance is comprised of an outstanding balance on the School's Credit Facility of \$140,000 and Deferred Rent associated with the School's Facility Lease of \$331,592. Further discussions of the School's Credit Facility and Facility Lease can be found in Note 4 and Note 5, respectively, of the Financial Statements found on page 22 of this report.

Accomplishments Advanced Learning Charter School completed its third year of operations, receiving a grade of "A" from the Florida Department of Education in each of the years it was eligible to receive such grade. The School is ranked among the top public elementary schools in Miami-Dade County, based on the points it received under the State of Florida Accountability Program. In June 2011, Advanced Learning Charter School was accredited by the Southern Association of Colleges and Schools (SACS).

Requests 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 Mr. Carlos Gonzalez at Advanced Learning Charter School, 5855 NW 171 Street, Miami Gardens, FL 33015.



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Advanced Learning Charter School, Inc.

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Advanced Learning Charter School, Inc., (the "School"), a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Advanced Learning Charter School, Inc. as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2012, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

We noted certain matters that we reported to management of the School in a separate letter dated August 29, 2012.

The School's response to the findings identified in our audit is described in the accompanying management response letter. We did not audit the School's responses and, accordingly, we express no opinion on them.

The Management's Discussion and Analysis and the budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. 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 thereon.

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

Perez Abreu, Guenerbeu, Suarez & Torres P.L.

Coral Gables, Florida

August 29, 2012, except for Note 4, as to which the date is January 31, 2013

ADVANCED LEARNING CHARTER SCHOOL, INC.
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 148,028
Accounts receivable	34,238
Other Assets	<u>4,312</u>
Total current assets	<u>186,578</u>
Noncurrent assets:	
Capital assets, depreciable	436,760
Less: accumulated depreciation	<u>(140,725)</u>
Capital assets, net of depreciation	<u>296,035</u>
TOTAL ASSETS	<u>\$ 482,613</u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable and accrued expenses	<u>\$ 94,825</u>
Long-term liabilities:	
Credit facility	140,000
Deferred rent	<u>331,592</u>
TOTAL LIABILITIES	<u>566,417</u>
Net Assets:	
Investment in capital assets, net of related debt	296,035
Temporarily restricted assets	-
Unrestricted (deficit)	<u>(379,839)</u>
Total net assets (deficit)	<u>(83,804)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 482,613</u>

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 1,488,762	\$ -	\$ 82,732	\$ (1,406,030)
Instruction & Curriculum Development	9,575	-	-	(9,575)
General Administration	753,213	-	149,152	(604,061)
School Administration	274,534	10,994	2,000	(261,540)
Facilities Acquisition and Construction	17,165	-	-	(17,165)
Fiscal Services	60,000	-	-	(60,000)
Food Services	332,150	26,372	236,889	(68,889)
Operation of Plant	130,789	-	-	(130,789)
Maintenance of Plant	14,625	-	-	(14,625)
Community Services	162,059	169,265	-	7,206
Total governmental activities	\$ 3,242,872	\$ 206,631	\$ 321,621	(2,565,468)
General revenue:				
State passed through local school district				2,641,401
Change in net assets				75,933
Net assets (deficit), beginning				(159,737)
Net assets (deficit), ending				\$ (83,804)

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
 BALANCE SHEET - GOVERNMENTAL FUNDS
 AS OF JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 148,028	\$ -	\$ -	\$ 148,028
Accounts receivable	34,238	-	-	34,238
Other assets	4,312	-	-	4,312
TOTAL ASSETS	<u>\$ 186,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,578</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 94,825	\$ -	\$ -	\$ 94,825
TOTAL LIABILITIES	<u>94,825</u>	<u>-</u>	<u>-</u>	<u>94,825</u>
FUND BALANCES				
Restricted	-	-	-	-
Unassigned	91,753	-	-	91,753
TOTAL FUND BALANCES	<u>91,753</u>	<u>-</u>	<u>-</u>	<u>91,753</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 186,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,578</u>

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
AS OF JUNE 30, 2012

Total Fund Balance - Governmental Funds \$ 91,753

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

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Long-term liabilities at year-end consist of:

Deferred Rent	(331,592)
Credit Facility	(140,000)

Capital assets of \$436,760 net of accumulated depreciation of \$140,725 used in governmental activities are not financial resources and therefore are not reported in governmental funds.

296,035

Total Net Assets (Deficit) - Governmental Activities \$ (83,804)

The accompanying notes are an integral part of these financial statements.

**ADVANCED LEARNING CHARTER SCHOOL, INC.
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Federal passed through local school district	\$ -	\$ 321,621	-	\$ 321,621
State passed through local school district	2,641,401	-	149,152	2,790,553
Other revenue	<u>180,260</u>	<u>26,371</u>	-	<u>206,631</u>
Total revenue	<u>2,821,661</u>	<u>347,992</u>	<u>149,152</u>	<u>3,318,805</u>
Expenditures				
Instruction	1,358,360	77,732	-	1,436,092
Instruction & Curriculum Dev Services	4,575	5,000	-	9,575
General Administration	508,950	-	149,152	658,102
School Administration	274,109	2,000	-	276,109
Facilities Acquisition and Construction	59,799	-	-	59,799
Fiscal Services	60,000	-	-	60,000
Food Services	68,890	263,260	-	332,150
Operation of Plant	130,789	-	-	130,789
Maintenance of Plant	14,625	-	-	14,625
Community Services	<u>162,059</u>	-	-	<u>162,059</u>
Total expenditures	<u>2,642,156</u>	<u>347,992</u>	<u>149,152</u>	<u>3,139,300</u>
Excess of Revenue over Expenditures	179,505	-	-	179,505
Other Financing (Uses)				
Repayment of Credit Facility	<u>(250,000)</u>	-	-	<u>(250,000)</u>
Change in fund balance	(70,495)	-	-	(70,495)
Fund balance at the beginning of the year	<u>162,248</u>	-	-	<u>162,248</u>
Fund balance at the end of the year	<u>\$ 91,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,753</u>

The accompanying notes are an integral part of these financial statements.

ADVANCED LEARNING CHARTER SCHOOL, INC.
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012

Net Change in Fund Balance - Governmental Funds \$ (70,495)

Amounts reported for governmental activities in the statement of activities
 are 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 as depreciation expense.
 This is the amount by which capital outlays of \$61,374 differed from
 depreciation expense of \$69,835. (8,461)

Net repayments of the credit facility reduce current financial resources
 for governmental funds, but decrease long-term liabilities in the
 statement of assets. 250,000

The deferred portion of rent expenses reported in the statement of
 activities do not require the use of current financial resources and
 therefore are not reported as expenditures in governmental funds. (95,111)

Change in Net Assets of Governmental Activities \$ 75,933

The accompanying notes are an integral part of these financial statements.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Advanced Learning Charter School, Inc. (the "School") is a Florida Not-For-Profit Corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The School operates a Charter School, located at 5855 NW 171 Street, Miami Gardens, Florida 33015, under a charter of the sponsoring school district, the School Board of Miami-Dade County, Florida (the "District"). The school is considered a component unit of the District. The school provides educational services to students in grades kindergarten to fifth. The Governing Board of the school is the School's Board of Directors, which is comprised of five members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The current Charter Contract (the "Contract") with the District is effective until June 30, 2013 and may be renewed for periods of fifteen (15) years by mutual agreement between the School and the District. At the end of the Contract term, the District may choose not to renew the charter under grounds specified in the Contract, in which case the District is required to give the School written notice ninety (90) days prior to the Contract's expiration. During the term of the Contract, the District may terminate the Contract for non-compliance.

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 total assets and total liabilities, as reported on the statement of net assets, are subdivided into three categories: amounts invested in capital assets; restricted net assets; and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either internally by the School's Governing Board or externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and fund financial statements (Continued)

The statement of activities presents a comparison between the direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those that are clearly identifiable to a specific function. Program revenue consists of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refers to amounts received from those who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Grants and 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, which are reported in separate columns on the fund financial statements. Three of the School's funds are deemed to be major. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

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. Revenue is 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 revenue, 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. When grant terms provides that the expenditure of resources is the prime factor for determining eligibility for federal, state or 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 an expenditure only when payment is due.

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting and financial statement presentation (Continued)

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 – this is the operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – this fund accounts for all resources used by the School to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund – this fund accounts for all resources used by the School that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities, certain facility maintenance expenses, and other permitted expenses.

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.

Cash and cash equivalents

The School considers all highly liquid investments with a maturity of three months or less, at date of purchase, to be cash equivalents.

Accounts receivable

Accounts Receivable in the accompanying financial statement represent balances due from the National School Lunch Program. The School's management considers 100% of accounts receivable to be collectible. Accordingly, no allowance for doubtful accounts has been established.

Capital assets

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets (Continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	10 – 15
Furniture, fixtures and equipment	7 – 10
Audio visual equipment	3 – 5
Computers and peripherals	3 – 5

Long term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and payments of debt principal as other financing uses.

Long-term liabilities at June 30, 2012 include borrowings under a \$500,000 credit facility in the amount of \$140,000 (Note 4). In addition, long-term liabilities include deferred rent of approximately \$332,000, which was recorded in accordance with Accounting Codification Standards 840-10 and 840-20, *Accounting for Leases*. These standards require that rent expense be recognized on a straight-line basis over the term of the lease. The liability represents the cumulative portion of rent expense that has been incurred in excess of payments made in accordance with the terms of the lease (Note 5).

Governmental Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications reflect the nature of the funds and the level of restriction placed upon the fund balance.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balance Reporting (Continued)

GASB 54 requires fund balance amounts to be properly reported within the following balance categories: Nonspendable, Restricted, Committed, Assigned and Unassigned.

- *Nonspendable* – fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* – fund balance amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* – fund balance amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors.
- *Assigned* – fund balance amounts that are intended to be used by the School for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned* – fund balance is the residual classification for the School's general fund and includes all spendable amounts not contained in other classifications.

Revenue sources

Revenues for current operations are received primarily from the State of Florida through the District pursuant to the funding provisions included in the School's Contract. In accordance with the funding provisions of the School's Contract and Section 1002.33(17), Florida Statutes, the School reports the number of Full Time Equivalent ("FTE") students and related student information to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related student information to the Florida Department of Education (the "FDOE") for funding through the Florida Education Finance Program ("FEFP"). Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the FEFP and actual FTE students reported by the School. These adjustments occur four (4) times during the school year.

The School receives state funds through the District under Charter School Capital Outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent, or construction of School facilities.

The School also receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts is reported as deferred revenues until expended.

The School may generate other revenue from various fundraising activities and certain other programs.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The School is exempt from income taxes, under Section 501(c) 3 of the Internal Revenue Code of 1954 (as amended) under the classification of other than a private foundation; accordingly, the financial statements reflect no provision for income taxes.

Management identifies and evaluates potential uncertain tax positions to determine whether the probability exists that a tax position taken in a tax return would be sustained upon examination by a taxing authority. Reserves for uncertain tax positions are recorded if management determines it is probable either a position would not be sustained upon examination or if a payment would have to be made to a taxing authority and the amount was reasonably estimable. The School's federal and state income tax returns are generally subject to examination by taxing authorities for three years after the returns are filed, and the Company's federal and state income tax returns for 2008, 2009 and 2010 remain open to examination.

The School has not yet qualified for exempt status under section 501(c) 3 of the Internal Revenue Code. Management plans on filing for application and believes that the School meets the requirements for exemption. Furthermore, the School has experienced net operating losses for each of its taxable years since inception and Management believes that future tax liability as a result of disqualification, if any, will be immaterial to the financial statements as a whole.

Compensated absences

The School grants a specific number of days of sick/personal leave. Full-time employees are eligible for six sick/personal days during the ten month school year period. Employees are not eligible to carry forward unused days.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those reported.

Management Review of Subsequent Events

Management has evaluated subsequent events through August 29, 2012, the date when the financial statements were available to be issued.

ADVANCED LEARNING CHARTER SCHOOL, INC.
 NOTES TO FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 - CASH

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. The School maintains its cash balances in a financial institution (the “Bank”). The Bank participates in the Federal Deposit Insurance Corporation (“FDIC”) Transaction Account Guarantee Program. Under this program all non-interest bearing transaction accounts are fully guaranteed by the FDIC for the entire amount of the account. Coverage under this program is in addition to and separate from the coverage available under the FDIC’s basic deposit insurance rules. Balances in other account types, including interest bearing accounts, are insured up to \$250,000.

NOTE 3 - CAPITAL ASSETS

Changes in capital assets consist of the following:

	Balance at July 1, 2011	Additions	Disposals	Balance at June 30, 2012
Capital assets:				
Leasehold improvements	\$ 97,132	\$ 48,850	\$ -	\$ 145,982
Furniture, fixtures and equipment	173,028	1,574	-	174,602
Audio visual equipment	1,968	-	-	1,968
Computers and peripherals	103,258	10,950	-	114,208
Total capital assets	<u>375,386</u>	<u>61,374</u>	<u>-</u>	<u>436,760</u>
Less accumulated depreciation:				
Leasehold improvements	8,163	8,104	-	16,267
Furniture, fixtures and equipment	27,881	24,831	-	52,712
Audio visual equipment	984	656	-	1,640
Computers and peripherals	33,862	36,244	-	70,106
Total accumulated depreciation	<u>70,890</u>	<u>69,835</u>	<u>-</u>	<u>140,725</u>
Total governmental activities capital assets, net	<u>\$ 304,496</u>	<u>\$ (8,461)</u>	<u>\$ -</u>	<u>\$ 296,035</u>

Depreciation expense for the period ended June 30, 2012 was \$69,835 and is allocated in the Statement of Activities to instruction and facilities acquisition and construction.

ADVANCED LEARNING CHARTER SCHOOL, INC.
 NOTES TO FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 - CREDIT FACILITY

On October 29, 2009, the School entered into a credit facility with BridgeRock Capital Corporation, a related party (Note 6), in the amount of \$500,000. The credit facility is collateralized by the corporate assets of the school. The effective date of the credit facility is November 1, 2009 with an original maturity of October 31, 2012. As of June 30, 2012, the maturity date was extended to June 30, 2016. As a result, the amount due is reflected as a long-term liability in the statement of net assets and not reflected on the governmental funds balance sheet. The outstanding principal balance and accrued interest (9.75% per annum) are due at maturity. Under the terms of the credit facility, the School may make draws in increments of \$25,000 up to the facility amount. The outstanding balance of the credit facility at June 30, 2012 was \$140,000. Interest expense for the year then ended was approximately \$29,000.

NOTE 5 - FACILITY LEASE

On October 29, 2009, the School entered into a Facility Lease (the "Lease") with Palmetto KTP, LLC. The effective date of Lease is July 1, 2009 and ends on June 30, 2024. The lease provides for an additional fifteen (15) year option period, provided the School is in compliance with the term of Lease. Base rent of the lease escalates at a rate of 4.0% or CPI, whichever is greater. Future commitments under the lease are approximately as follows:

School Year	Future Commitments
2012-2013	\$ 422,000
2013-2014	439,000
2014-2015	457,000
2015-2016	475,000
2016-2017	494,000
Thereafter	<u>4,059,000</u>
Total	<u>\$ 6,346,000</u>

Total rent expense for the year ended June 30, 2012 was approximately \$540,000. This amount includes triple net charges for common area maintenance, property insurance and management fees.

NOTE 6 - RELATED PARTIES

BridgeRock is the provider of the credit facility (Note 4) to the School. During the year ended June 30, 2012, the School paid interest of approximately \$29,000.

In addition, the School leases its facilities (Note 5) from Palmetto KTP, a company related to BridgeRock by common ownership. During the year ended June 30, 2012, the School incurred rent expense of approximately \$540,000 with Palmetto KTP.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 7 – 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. There have been no claims against the policy during the fiscal year ended June 30, 2012.

NOTE 8 – DEFINED CONTRIBUTION PLAN

The School maintains a contributory profit sharing plan (the "Plan") as defined under Section 401(k) of the U.S. Internal Revenue Code covering substantially all employees. In 2012, the School contributed 100% of the amount of elective deferral contributions that did not exceed 3% of eligible compensation and 50% of the amount of elective deferral contributions above 3% to a maximum of 4% of eligible compensation. Employer contributions during the year ended June 30, 2012 totaled approximately \$20,000. John Hancock Life Insurance Company acts as the Plan's custodian.

Required Supplemental Information

ADVANCED LEARNING CHARTER SCHOOL
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET VS. ACTUAL - GENERAL FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Final Variance
	Original	Final		
Revenue				
Federal passed through local school district	\$ -	\$ -	\$ -	\$ -
State passed through local school district	2,607,778	2,641,401	2,641,401	-
Local Sources	<u>110,000</u>	<u>175,000</u>	<u>180,260</u>	<u>5,260</u>
Gross Revenue	<u>2,717,778</u>	<u>2,816,401</u>	<u>2,821,661</u>	<u>5,260</u>
Expenditures				
Instructional	1,244,668	1,360,000	1,358,360	(1,640)
Instruction & Curriculum Development Services	13,000	5,000	4,575	(425)
General Administration	525,859	500,000	508,950	8,950
School Administration	249,623	280,000	274,109	(5,891)
Facility Acquisition and Construction	68,000	70,000	59,799	(10,201)
Fiscal Services	60,000	60,000	60,000	-
Food Services	47,213	75,000	68,890	(6,110)
Operation of Plant	145,222	145,000	130,789	(14,211)
Maintenance of Plant	21,900	20,000	14,625	(5,375)
Community Services	<u>90,000</u>	<u>165,000</u>	<u>162,059</u>	<u>(2,941)</u>
Total Expenditures	<u>2,465,485</u>	<u>2,680,000</u>	<u>2,642,156</u>	<u>(37,844)</u>
Other Financing Sources				
Repayment of Credit Facility	<u>(200,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Change in Fund Balance	52,293	(113,599)	(70,495)	43,104
Fund balance at the beginning of the year	<u>162,248</u>	<u>162,248</u>	<u>162,248</u>	<u>-</u>
Fund balance at the end of the year	<u>\$ 214,541</u>	<u>\$ 48,649</u>	<u>\$ 91,753</u>	<u>\$ 43,104</u>

See accompanying notes to required supplemental information.

ADVANCED LEARNING CHARTER SCHOOL
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET VS. ACTUAL – SPECIAL REVENUE FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Final Variance
	Original	Final		
Revenue				
Federal passed through local school district	\$ 264,732	\$ 319,732	\$ 321,621	\$ 1,889
State passed through local school district	-	-	-	-
Local Sources	<u>30,000</u>	<u>25,000</u>	<u>26,371</u>	<u>1,371</u>
Gross Revenue	<u>294,732</u>	<u>344,732</u>	<u>347,992</u>	<u>3,260</u>
Expenditures				
Instructional	77,732	77,732	77,732	-
Instruction & Curriculum Development				
Services	5,000	5,000	5,000	-
General Administration	-	-	-	-
School Administration	2,000	2,000	2,000	-
Facility Acquisition and Construction	-	-	-	-
Fiscal Services	-	-	-	-
Food Services	210,000	260,000	263,260	3,260
Operation of Plant	-	-	-	-
Maintenance of Plant	-	-	-	-
Community Services	-	-	-	-
Total Expenditures	<u>294,732</u>	<u>344,732</u>	<u>347,992</u>	<u>3,260</u>
Other Financing Sources				
Repayment of Credit Facility	-	-	-	-
Change in Fund Balance	-	-	-	-
Fund balance at the beginning of the year	-	-	-	-
Fund balance at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to required supplemental information.

ADVANCED LEARNING CHARTER SCHOOL
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET VS. ACTUAL - CAPITAL PROJECTS FUND
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Final Variance
	Original	Final		
Revenue				
Federal passed through local school district	\$ -	\$ -	\$ -	\$ -
State passed through local school district	130,000	149,152	149,152	-
Local Sources	-	-	-	-
Gross Revenue	<u>130,000</u>	<u>149,152</u>	<u>149,152</u>	<u>-</u>
Expenditures				
Instructional	-	-	-	-
Instruction & Curriculum Development	-	-	-	-
Services	-	-	-	-
General Administration	130,000	149,152	149,152	-
School Administration	-	-	-	-
Facility Acquisition and Construction	-	-	-	-
Fiscal Services	-	-	-	-
Food Services	-	-	-	-
Operation of Plant	-	-	-	-
Maintenance of Plant	-	-	-	-
Community Services	-	-	-	-
Total Expenditures	<u>130,000</u>	<u>149,152</u>	<u>149,152</u>	<u>-</u>
Other Financing Sources				
Repayment of Credit Facility	-	-	-	-
Change in Fund Balance	-	-	-	-
Fund balance at the beginning of the year	-	-	-	-
Fund balance at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - BUDGETARY INFORMATION

Basis of accounting

The School's annual budgets are adopted for the entire operation at the combined governmental level and may be amended by the Board. Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major fund for which a legally adopted budget exists.

Budgets are presented on the full accrual basis of accounting. The legal level of budgetary control is the fund level.



CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANTS

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

To the Board of Directors of Advanced Learning Charter School, Inc.
Miami, Florida

We have audited the financial statements of Advanced Learning Charter School, Inc. (the "School") as of, and for the year ended June 30, 2012, and have issued our report thereon dated August 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the School in a separate letter dated August 29, 2012.

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

Coral Gables, Florida
August 29, 2012



MANAGEMENT LETTER

Honorable Board of Directors of Advanced Learning Charter School, Inc.
Miami, Florida

We have audited the financial statements of the Advanced Learning Charter School, Inc. (the "School"), Florida, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated August 29, 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 dated August 29, 2012, should be considered in conjunction with this management letter.

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

1. 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.
 - Corrective actions have been taken to address findings noted and recommendations noted during the preceding annual financial audit report, except as noted below under the heading "Status of Prior Year Findings and Recommendations."
2. 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 noted the following:
 - The School currently performs its own payroll calculations without the assistance of a third party.
 - The School has not yet filed for exemption under section 501(c) 3 of the Internal Revenue Code.

Honorable Board of Directors of
Advanced Learning Charter School, Inc.

3. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential.
 - In connection with our audit, we did not have any such findings.
4. 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.
5. 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 Advanced Learning Charter School.
6. 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 School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
7. Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.
 - We have applied such procedures and no deteriorating financial condition has been noted. It should be noted that although the School reported an unrestricted deficit fund balance of \$379,839 as of June 30, 2012, the School has reduced its deficit by approximately \$84,000. The deficit fund balance is mainly attributed to various costs incurred associated with the start-up operations of a charter school during the previous school years. This included the purchases of equipment, books, building improvements, and other items that are expected to provide future benefits to the School. In addition, the School incurred expenses of approximately \$95,000 in deferred rent that is not expected to begin repayment until July 2017.

Honorable Board of Directors of
Advanced Learning Charter School, Inc.

Status of Prior Year Findings and Recommendations

Prior year finding 1: As noted during the prior year, check signers have unlimited signing authority. Additionally, monthly reconciliations continue to be performed by an authorized check signer. We recommend that the School implements dollar limitations for check signers and reconciliations should be performed by individuals without signing authority.

- Both signors still have unlimited check signing authority. Additionally, monthly reconciliations continue to be performed by an authorized check signor.

Prior year finding 2: The School retains a limited supply of pre-signed checks for emergency purposes in the instance that the authorized signors are not available. We recommend that the School does not keep any pre-signed checks to mitigate any potential risk.

- The School no longer retains pre-signed checks.

Prior year finding 3: The School currently has a debit card for its operating account which is maintained by the Principal of the School, who is not an authorized signor. We recommend that ALCS obtains a corporate credit card for the School in order to mitigate any potential fraud on the account and to efficiently track expenses.

- The School has added the Principal as an authorized signor; however, the School has not obtained a corporate credit card.

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.

Certified Public Accountants
Coral Gables Florida
August 29, 2012

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S RESPONSE TO AUDIT FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

The following is the School's response to the items noted in the 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 and Management Letter dated August 29, 2012, as required by Rule 10.857, Rules of the Auditor General:

Finding 1

As noted during the prior year, check signers have unlimited signing authority. Additionally, monthly reconciliations continue to be performed by an authorized check signer. We recommend that the School implements dollar limitations for check signers and reconciliations should be performed by individuals without signing authority.

Response

Based on the limited personnel budget that the school currently has, it is not economically feasible to hire additional personnel to reconcile the School's bank accounts once a month. Monthly bank reconciliations are reviewed by the School's Finance Director and cash balances are constantly monitored by the same to ensure that cash disbursements are within budgeted amounts.

Finding 2

The School currently calculates its own payroll calculations, without the assistance of a third party. Payroll expenses continue to increase and constitute over 50% of total expenses. We recommend the Company engages a third-party payroll company to perform such calculations. Use of a service provider can also save the Company the time and cost of performing employee-related recordkeeping tasks. In addition to potential cost savings, the service provider has expertise in matters such as payroll and payroll tax compliance, workers' compensation claims, unemployment insurance, 401(k) programs, COBRA, Americans with Disabilities Act, Family and Medical Leave Act, etc., and may contractually assume certain employer rights, responsibilities, and risks related to the services it provides. This can reduce the company's liability related to these compliance requirements while increasing the satisfaction of employee involved in such matters.

Response

The School agrees and is currently preparing a request for proposal ("RFP") to send to several payroll companies. The RFP is expected to be completed by September 2012.

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S RESPONSE TO AUDIT FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Finding 3

The School has not yet qualified for exempt status under section 501(c)3 of the Internal Revenue Code. We recommend that Management files for federal tax exemption under Internal Revenue Code 501(c)3 during the current fiscal year.

Response

Management recognizes the need to file for Federal Tax Exempt status under IRS code section 501(c) 3 and will retain the appropriate professional(s) to facilitate the application process. The item will be discussed at the next regularly scheduled Board of Directors' meeting in September 2012.