

**MATER ACADEMY  
CHARTER MIDDLE SCHOOL  
(A Charter School Under  
Mater Academy, Inc.)**

**Basic Financial Statements and  
Supplemental Information**

**For the year ended  
June 30, 2007**

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

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Mater Academy Charter Middle School

AUDIT COMPLETION CHECKLIST  
FOR CHARTER SCHOOLS AND OTHER ORGANIZATIONS  
MIAMI-DADE COUNTY PUBLIC SCHOOLS

The following information should be included in the yearly audit by the organizations submitting their annual external audit. For charter schools, the Auditor General of the State of Florida has issued rules that must be complied with (Chapter 10.850). Please share this checklist with your external auditor.

- ✓ 1. The name and address of the school.
- ✓ 2. The name of the principal running the school.
- ✓ 3. Current list of the Board of Directors of the school.
- ✓ 4. If the school is operated by a management company.
  - ✓ a. Name of the company
  - ✓ b. Address
  - ✓ c. List of principal officials
  - ✓ d. Contractual arrangement with the company, such as length of contract, terms, total fees paid for the year, etc. (This information should be included in the footnotes to the financial statements).
- ✓ 5. The financial statements must include comparative totals for the prior year (include in the MDA per GASB 24)
- ✓ 6. The financial statements must comply with GASB 34 requirements, if applicable.
- 7. In the footnotes of the financial statements, the following should be disclosed:
  - ✓ a. Total school enrollment and grade configuration. If separate facilities are in operation, disclose name, address, and the enrollment and grade configuration at each facility.
  - ✓ b. Full disclosure of related party transactions, which should include the related party's name and address, and disclosure of the transaction, particularly if it is a loan that needs to be repaid (principal and interest paid and unpaid). If the debt is in arrears, disclosure of arrangements made to satisfy the debt.
  - n/a c. Full disclosure of any other debts in arrears, particularly as they relate to the payment of withholding/social security taxes. Arrangements made to pay the debt(s).
  - ✓ d. For charter schools, full disclosure in the notes or as a separate schedule in the audit of the tangible personal property purchased with public funds. (It is a current contractual requirement for charter schools; however, we recommend that it be part of the audit).
  - n/a e. If there is a deficit cash position or significant losses shown in the financial statements, full disclosure as to how the school plans to keep operating. The current assets should be sufficient to cover the current liabilities. The issue is whether sufficient resources would be available to maintain the school open. This issue may be addressed in the Management Letter.
  - n/a f. Any disclosures of events subsequent to the balance sheet date that the auditor believes are important to the readers of the financial statements (e.g., significant contractual arrangements and financing or refinancing of debt, payment of past due taxes, etc.).
- n/a 8. If the audit is not submitted within the contractually required deadline, the Management Letter must comment on it with the appropriate response from the organization as to how it is going to be remedied in future audit submittals.
- ✓ 9. If there are Management Letter findings, each finding must include a response by the organization. If there were prior audit findings, the current audit must include the status of action taken, i.e., whether the recommendation was fully implemented and, if not, when (date) it will be fully implemented. Note that quarterly reports may be required on a case-by-case basis depending on the severity or lack of resolution of the issues notes in the Management Letter.
- ✓ 10. Please enter the following information about the Certified Public Accountant issuing the audit report:

CPA's Name: Berman Hopkins Wright & LaHam, CPA's & Associates, LLP  
CPA's Address: 8035 Spyglass Hill Road, Melbourne, FL 32940  
License No.: AD0002183  
Expiration Date: 12/31/07

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**MATER ACADEMY CHARTER MIDDLE SCHOOL**

(A Charter School Under Mater Academy, Inc.)

7901 N.W. 103rd Street

Hialeah Gardens, Florida 33016

(305) 828-1886

2006-2007

**BOARD OF DIRECTORS**

Anotonia Roca, Esq., Chair

David Concepcion

Shannine Sadesky

Dr. Ruth Jacoby

**SCHOOL ADMINISTRATION**

Judith Marty, Principal

**ORGANIZATION'S MANAGEMENT**

Academica Dade, LLC

6255 Bird Road

Miami, Florida 33155

Officers :

Fernando Zulueta, President

Magdalena Fresen, Vice President

Amy Nunez, Secretary

Partners:

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

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Mater Academy Charter Middle School  
(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 Academy Charter Middle School, (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, 2007, 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.

BREVARD OFFICE  
8035 Spyglass Hill Rd.  
Melbourne, FL 32940  
phone 321-757-2020  
fax 321-242-4844

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.

ORLANDO OFFICE  
480 N. Orlando Ave.  
Suite 218  
Winter Park, FL 32789  
phone 407-644-5811  
fax 407-644-6022

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of Mater Academy Charter Middle School at June 30, 2007, and the changes in financial position for the year then ended, and is not intended to be a complete presentation of the Charterholder.

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 Mater Academy Charter Middle School, as of June 30, 2007, 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, 2007 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 grants 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.

Management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on them.

August 29, 2007  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## Management's Discussion and Analysis

The corporate officers of the Mater Academy Charter Middle School (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2007.

### Financial Highlights

- The assets of the School exceeded its liabilities at June 30, 2007 by \$4,515,049 (net assets).
- At year-end, the School had current assets on hand of \$3,653,134.
- The net assets of the School increased by \$1,118,105 during the year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's financial statements. The School's financial statements for the year ended June 30, 2007 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 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 of the funds of the School are governmental funds. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.



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 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 - 24 of this report.

**Government-Wide Financial Analysis**

Assets exceeded liabilities by \$4,515,049, 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, 2007 and 2006 follows:

	<b>2007</b>	<b>2006</b>
Cash	\$ 3,211,110	\$ 2,234,933
Accounts receivable	-	185
Due from other schools	70,173	-
Due from other agencies	130,165	202,264
Prepaid expenses	241,286	125,687
Deposits	400	767
Capital assets	<u>1,238,155</u>	<u>1,124,932</u>
Total assets	<u>4,891,289</u>	<u>3,688,768</u>
Accounts payable and accrued liabilities	237,854	283,608
Due to other schools	119,726	-
Capital lease payable	<u>18,660</u>	<u>8,216</u>
Total liabilities	<u>376,240</u>	<u>291,824</u>
Invested in capital assets, net of related debt	1,237,538	1,116,720
Unrestricted	<u>3,277,511</u>	<u>2,280,224</u>
Total net assets	<u><u>\$ 4,515,049</u></u>	<u><u>\$ 3,396,944</u></u>

At the end of the fiscal year, the School is able to report positive balances in total net assets. A summary and analysis of the School's revenues and expenses for the years ended June 30, 2007 and 2006 follows:

	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 490,158	\$ 484,758
Capital outlay funding	992,000	672,709
General revenues	6,062,433	6,116,454
Charges for services	135,388	-
Miscellaneous	114,151	71,427
Total revenues	<u>7,794,130</u>	<u>7,345,348</u>
Expenses:		
Component unit activities:		
Basic instruction	3,505,242	3,255,435
Exceptional instruction	3,326	-
Media services	1,803	-
Staff development	2,286	-
Instructional staff training services	-	42,059
Board	89,884	32,388
School administration	503,077	678,823
Facilities acquisition and construction	18,011	13,204
Fiscal services	159,000	173,025
Food services	459,498	12,265
Central services	177,940	176,147
Information services	6,067	-
Pupil transportation services	14,051	12,230
Operation of plant	1,607,015	1,585,145
Maintenance of plant	128,825	198,066
Interest	-	-
Total expenses	<u>6,676,025</u>	<u>6,178,787</u>
Increase in net assets	1,118,105	1,166,561
Net assets at beginning of year	<u>3,396,944</u>	<u>2,230,383</u>
Net assets at end of year	<u>\$ 4,515,049</u>	<u>\$ 3,396,944</u>

Mater Academy Charter Middle School's revenue increased by \$448,782 in the current year primarily due to an increase in capital outlay and food service revenue, which was allocated from Mater Academy Charter High. The School also had an increase in expenses for the year of \$497,238. The largest increase in expenses were due to basic instruction due to salary increases to match the Districts salary scale. Also, the food service costs were allocated from the charter school for which they share a facility. The financial position of the School has improved during the current year. In addition, the School increased its cash by \$976,177 and had a large increase in Capital Assets. The School had an increase in its net assets (change in net assets) of \$1,118,105 for the year.

**Lease of Facility**

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

**Articulation Agreement**

The School entered into a Sponsor-approved Articulation Agreement with the Mater Academy Charter Middle School. This Agreement gives enrollment preference to students enrolling at the Charter High School who complete their course of education in the eighth grade of the Middle School Program. The Charter High School is the only High School (public or private) currently located within the city of Hialeah Gardens.

**Capital Improvement Requirements**

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

**Accomplishments**

In 2007, Mater Academy Middle School earned a letter grade of "B", and ranked within the top 40% of public middle schools in Miami-Dade County, based on the points it received under the State of Florida Accountability Program. Serving predominantly minority students from low-income families, Mater Academy Middle School's rigorous curriculum prepares students for Advanced Academic Placement before entering high school. The School 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 \$3,295,554.

**Capital Assets**

The School's investment in capital assets as of June 30, 2007 amounts to \$1,238,155 (net of accumulated depreciation). This investment in capital assets include furniture, fixtures, computer equipment, educational materials, audio visual equipment, and computer software.

**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 approximately a \$607,526 decrease in appropriations from the original to final amended budget. The decrease was due mainly to an expected decrease in student enrollment.

**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 6255 Bird Road, Miami, Florida 33155.

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**STATEMENT OF NET ASSETS**

**June 30, 2007**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 3,211,110
Due from other schools	70,173
Due from other agencies	130,165
Prepaid expenses	241,286
Deposits	400
Total current assets	<u>3,653,134</u>
<b>CAPITAL ASSETS</b>	
Capital assets, net of accumulated depreciation	
Furniture, equipment and educational materials	1,177,868
Audio visual materials	10,201
Computer software	50,086
Total capital assets	<u>1,238,155</u>
Total assets	<u>4,891,289</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts payable	14,364
Accrued payroll and payroll taxes	223,490
Due to other schools	119,726
Noncurrent liabilities:	
Due within one year	18,660
Total liabilities	<u>376,240</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	1,237,538
Unrestricted	3,277,511
Total net assets	<u>\$ 4,515,049</u>

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

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Basic instruction	\$ 3,505,242	\$ -	\$ 299,760	\$ -	\$ (3,205,482)
Exceptional instruction	3,326	-	-	-	(3,326)
Instructional media services	1,803	-	-	-	(1,803)
Instructional staff training services	2,286	-	-	-	(2,286)
Board	89,884	-	-	-	(89,884)
School administration	503,077	-	-	-	(503,077)
Facilities acquisitions and construction	18,011	-	-	-	(18,011)
Fiscal services	159,000	-	-	-	(159,000)
Food services	459,498	135,388	190,398	-	(133,712)
Central services	177,940	-	-	-	(177,940)
Information services	6,067	-	-	-	(6,067)
Pupil transportation services	14,051	-	-	-	(14,051)
Operation of plant	1,607,015	-	-	992,000	(615,015)
Maintenance of plant	128,825	-	-	-	(128,825)
<b>Total governmental activities</b>	<b>\$ 6,676,025</b>	<b>\$ 135,388</b>	<b>\$ 490,158</b>	<b>\$ 992,000</b>	<b>(5,058,479)</b>
<b>General revenues:</b>					
					6,062,433
					3,421
					110,730
					<u>6,176,584</u>
					1,118,105
					<u>3,396,944</u>
					<u>\$ 4,515,049</u>

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

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2007**

	General Fund	Capital Outlay Fund	Other Governmental funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,211,110	\$ -	\$ -	\$ 3,211,110
Due from other schools	70,173	-	-	70,173
Due from other agencies	54,330	75,835	-	130,165
Due from other funds	75,835	-	119,726	195,561
Prepaid expenses	241,286	-	-	241,286
Deposits	400	-	-	400
Total assets	<u>\$ 3,653,134</u>	<u>\$ 75,835</u>	<u>\$ 119,726</u>	<u>\$ 3,848,695</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 14,364	\$ -	\$ -	\$ 14,364
Accrued payroll and payroll taxes	223,490	-	-	223,490
Due to other schools	-	-	119,726	119,726
Due to other funds	119,726	75,835	-	195,561
Total liabilities	<u>357,580</u>	<u>75,835</u>	<u>119,726</u>	<u>553,141</u>
 <b>FUND BALANCE</b>				
Unreserved	<u>3,295,554</u>	<u>-</u>	<u>-</u>	<u>3,295,554</u>
Total fund balances	<u>3,295,554</u>	<u>-</u>	<u>-</u>	<u>3,295,554</u>
Total liabilities and fund balance	<u>\$ 3,653,134</u>	<u>\$ 75,835</u>	<u>\$ 119,726</u>	<u>\$ 3,848,695</u>

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

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

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

**June 30, 2007**

Fund balances - total governmental funds		\$ 3,295,554
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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, equipment and educational materials, net of \$767,068 accumulated depreciation	\$ 1,177,868	
Audio visual materials, net of \$5,840 accumulated depreciation	10,201	
Computer software, net of \$72,742 accumulated depreciation	<u>50,086</u>	
Total capital assets		1,238,155

Long-term liabilities are not due and payable in the current period and therefore not reported in the funds. Those liabilities consist of:

Capital lease payable	(617)	
Compensated absences	<u>(18,043)</u>	<u>(18,660)</u>
Total net assets of governmental activities		<u>\$ 4,515,049</u>

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



**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

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

**For the year ended June 30, 2007**

	General Fund	Capital Outlay Fund	Other Governmental funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state	\$ -	\$ -	\$ 190,398	\$ 190,398
Federal passed through local school district	-	-	299,760	299,760
State passed through local school district	6,062,433	992,000	-	7,054,433
Miscellaneous income	110,135	-	595	110,730
Student lunches	-	-	135,388	135,388
Interest	-	3,421	-	3,421
Total revenues	<u>6,172,568</u>	<u>995,421</u>	<u>626,141</u>	<u>7,794,130</u>
<b>Expenditures</b>				
Current:				
Basic instruction	2,924,586	-	277,261	3,201,847
Exceptional instruction	3,326	-	-	3,326
Instructional media services	1,803	-	-	1,803
Instructional staff training services	2,286	-	-	2,286
Board	89,884	-	-	89,884
School administration	503,077	-	-	503,077
Fiscal services	159,000	-	-	159,000
Food services	-	-	445,513	445,513
Central services	177,940	-	-	177,940
Information services	6,067	-	-	6,067
Pupil transportation services	14,051	-	-	14,051
Operations of Plant	570,857	995,421	-	1,566,278
Maintenance of plant	119,538	-	-	119,538
Debt service:				
Principal	7,595	-	-	7,595
Fixed capital outlay	457,502	-	23,093	480,595
Total expenditures	<u>5,037,512</u>	<u>995,421</u>	<u>745,867</u>	<u>6,778,800</u>
Excess of revenues over expenditures	<u>1,135,056</u>	<u>-</u>	<u>(119,726)</u>	<u>1,015,330</u>
Other financing sources (uses):				
Transfers in	-	-	119,726	119,726
Transfers out	(119,726)	-	-	(119,726)
Total other financing sources (uses)	<u>(119,726)</u>	<u>-</u>	<u>119,726</u>	<u>-</u>
Net change in fund balances	1,015,330	-	-	1,015,330
Fund balances at July 1, 2006	2,280,224	-	-	2,280,224
Fund balances at June 30, 2007	<u>\$ 3,295,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,295,554</u>

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

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

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

**For the year ended June 30, 2007**

Net change in fund balances - total government funds \$ 1,015,330

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	\$ 480,595	
Less depreciation	<u>(367,372)</u>	113,223

The issuance of long-term debt provides current financial  
resources to governmental funds, while the repayment of the  
principal of long-term debt consumes current financial resources  
of governmental funds. Neither transaction, however, has any  
effect on net assets. This amount is the net effect of these  
differences in the treatment of long-term debt. 7,595

Some expenses reported in the statement of activities do not  
require the use of current financial resources and, therefore, are  
not reported as expenditures in the governmental funds. (18,043)

Change in net assets of governmental activities	<u><u>\$ 1,118,105</u></u>
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The accompanying notes are an integral part of this financial statement.

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

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

1. Reporting Entity

Mater Academy Charter Middle School (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 sixth through eighth grade. The governing body of the School is the Board of Directors (the "Board"), which is composed of four members. The financial information presented is that of Mater Academy Charter High School 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 District School Board of Miami-Dade County (the "District"). The current charter is effective until June 30, 2013 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. Mater Academy Charter Middle School is funded by the District and in addition, receives government grants.

These financial statements are for the year ended June 30, 2007, when 1,060 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 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 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.

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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. 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.

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. 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 - 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.

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 and cash equivalents include 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.

6. Interfund receivables and payables

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 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.

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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

Furniture, equipment and educational materials	5
Computer software	3
Audio visual materials	3

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(18), 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.

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 wishing to carry forward unused sick/personal days, at year-end, may do so. An employee can cash out their sick/personal pay 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 days. The cash out value is eighty percent of their daily rate.

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 mitigates the custodial risk for deposits by only doing business with large national banks. At June 30, 2007, the School had a bank balance of \$232,120. Of the bank balance, \$132,120 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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date less than one month</u>
Repurchase agreement	<u>\$ 3,212,000</u>	<u>\$ 3,212,000</u>

**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.

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE D - DUE FROM OTHER AGENCIES**

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

Pay for performance	\$	54,330
Capital outlay		<u>75,835</u>
	\$	<u><u>130,165</u></u>

**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, 2007:

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
<b>Capital Assets</b>				
Furniture, equipment and educational materials	\$ 1,510,314	\$ 434,622	\$ -	\$ 1,944,936
Audio visual materials	8,150	7,891	-	16,041
Computer software	<u>84,746</u>	<u>38,082</u>	-	<u>122,828</u>
Total assets depreciated	<u>1,603,210</u>	<u>\$ 480,595</u>	<u>\$ -</u>	<u>2,083,805</u>
<b>Less accumulated depreciation:</b>				
Furniture, equipment and educational materials	434,946	332,122	-	767,068
Audiovisual materials	3,420	2,420	-	5,840
Computer software	<u>39,912</u>	<u>32,830</u>	-	<u>72,742</u>
Total accumulated depreciation	<u>478,278</u>	<u>\$ 367,372</u>	<u>\$ -</u>	<u>845,650</u>
Capital assets, net	<u><u>\$ 1,124,932</u></u>			<u><u>\$ 1,238,155</u></u>

Depreciation expense for the year ended June 30, 2007 was charged to functions of the School as follows:

Basic instruction	\$	285,351
Facility acquisition		18,011
Food service		13,986
Operation of plant		40,737
Maintenance of plant		<u>9,287</u>
	\$	<u><u>367,372</u></u>



**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE F - LONG-TERM DEBT**

1. Changes in long-term debt

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

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due within one year
Compensated absences	\$ -	\$ 18,043	\$ -	\$ 18,043	\$ 18,043
Capital lease payable	8,212	-	7,595	617	617
	<u>\$ 8,212</u>	<u>\$ 18,043</u>	<u>\$ 7,595</u>	<u>\$ 18,660</u>	<u>\$ 18,660</u>

2. Capital leases

The School acquired kitchen equipment under capital leases payable in monthly installments of approximately \$2,500 maturing in 2008, and collateralized by the related equipment.

The assets acquired through the capital leases are recorded in the government-wide statements as follows:

	Governmental Activities
Furniture, equipment and educational material	\$ 26,565
Less: accumulated depreciation	13,283
	<u>\$ 13,282</u>

The future minimum lease obligations and the net present value of the minimum lease payments, as of June 30, 2007, were as follows:

2008	
Total minimum lease payment	\$ 617

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE G - 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
The District School Board of Miami-Dade County	
Base funding	\$ 4,793,166
Safe schools	37,172
Exceptional student education guaranteed allocation	193,800
Supplemental academic instruction	386,260
Class size reduction funds	785,381
ESE allocation	10,600
Instructional materials allocation	105,779
Over 500 FTE capital outlay	(166,736)
Stores and mail distribution deduction	(2,000)
Administration fee withheld (5%)	(148,872)
Subtotal	5,994,550
Capital outlay	992,000
School recognition award income	3,304
Teacher lead program	10,250
Title I - Schoolwide	256,200
Title I - Reading leader	43,560
Pay for performance	54,329
Total from the District School Board of Miami-Dade County	7,354,193
Other revenue	
Other revenue	110,730
Student lunches	325,786
Interest	3,421
	<u>\$ 7,794,130</u>

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE H - COMMITMENTS AND CONTINGENCIES**

1. Management services contract

The School has entered into an agreement with Academica Dade, LLC, 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 expires June 30, 2009, with an option to renew by the School. During the year ended June 30, 2007, the School incurred \$477,000 in management fees, of which no amounts were due to the management company at year end.

2. Operating leases

The School entered into an amended lease agreement with School Development H G II, LLC, as landlord, on April 2004 for its main campus which is shared with another charter school under Mater Academy, Inc. The payments for this lease are allocated 42%, or \$1,003,275 to the School and 58% to the other charter school. Annual total payments for all schools are approximately \$2,388,750 (\$19.91 per square foot, for 120,000 square feet) adjusted annually based on the Consumer Price Index (CPI) and continue through August 2024 with an option to renew for an additional five-year term.

The School entered into a lease agreement with Duke School Properties, LLC, as landlord, for an additional building where the School is located. Terms of the lease are to pay \$23.75 per square foot, for 33,600 square feet. The payments for this lease are allocated 42% to the School and 58% to the other charter school. Annual payments total payments for all schools are approximately \$791,137 adjusted annually based on the Consumer Price Index (CPI) and continue through August 2026 with an option to renew for an additional five-year term. The lease payments commenced May 2007. Rent payments for the year ended June 30, 2007 totaled \$55,380.

Under the term of the lease agreements, all lease payments due under the agreement are secured by pledged revenues and all fixed assets.

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE H - COMMITMENTS AND CONTINGENCIES (continued)**

2. Operating leases (continued)

The School also leases various office equipment with monthly payments ranging from \$128 to \$508 through 2008. Total rental payments associated with equipment for the year ended June 30, 2007 were \$7,599.

Future minimum payments under the operating leases are as follows:

<u>Fiscal years</u>	
2008	\$ 1,343,152
2009	\$ 1,334,794
2010	\$ 1,334,794
2011	\$ 1,334,794
2012	\$ 1,334,794
2013-2017	\$ 7,391,388
2018-2022	\$ 7,391,388
2022-2024	\$ 7,391,388
	<u>\$ 28,856,492</u>

**NOTE I - 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. Nonetheless, the School provides the information set forth in items 1 and 2 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 \$477,000 for the year ending June 30, 2007.

2. Operating lease

School Development H G II, LLC and Duke Schools Properties, LLC owns property which is leased to the School. Presently, members of each of these companies are also stockholders of the Company which is the sole owner of Academica Dade, LLC, which manages the School (see Note H). Total rent payments charged to the School under these leases amounts to \$1,058,655. A rent payment in the amount of \$95,550 is included as a prepaid expense on the statement of net assets and balance sheet. The lease does not contain any provision as to the management of the School.

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE I - RELATED PARTY TRANSACTIONS (continued)**

3. Due to/from other schools

The School's facility is shared with Mater Academy Charter High School and Mater Performing Arts and Entertainment Academy (See Note H), which is 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 to these schools and other schools operated by Mater Academy, Inc.

The amounts due to/from schools operated by Mater Academy, Inc consists of the following at June 30, 2007:

<u>School operated by Mater Academy, Inc</u>	<u>Due to</u>	<u>Due from</u>
Due to Mater Academy Charter High School	\$ -	\$ 119,726
Mater Gardens Middle	398	-
Mater Acacemy East Charter School	5,712	-
Mater Academy, Inc.	14,208	-
Mater Academy East Middle School	2,813	-
Mater Academy Lakes Middle	3,865	-
Mater Academy Lakes High	1,819	-
Mater Academy	13,339	-
	<u>\$ 42,154</u>	<u>\$ 119,726</u>

In addition, the School also shares certain staff with other schools operated by the same management company. A portion of those employees salaries are allocated to each school on a cost reimbursement basis.

The amounts due from other schools consists of the following at June 30, 2007:

<u>School</u>	<u>Due to</u>	<u>Due from</u>
International Studies Charter	\$ 14,208	\$ -
Theodore R. & Thelma A Gibson	5,683	-
Mater Gardens Academy	5,286	-
The Miami Children's Museum Charter School	2,842	-
	<u>\$ 28,019</u>	<u>\$ -</u>
Total due to/from other schools	<u>\$ 70,173</u>	<u>\$ 119,726</u>

All amounts other than lunch related services were reimbursed by the audit report date.

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE J - 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 Academy Charter Middle School  
(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, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
FTE	\$ 5,830,000	\$ 5,172,224	\$ 6,051,588	\$ 879,364
Teacher lead program	-	10,250	10,250	-
Other revenue	50,000	90,000	110,730	20,730
<b>Total revenue</b>	<u>5,880,000</u>	<u>5,272,474</u>	<u>6,172,568</u>	<u>900,094</u>
<b>Expenses</b>				
Salaries	2,600,000	2,512,214	2,474,740	37,474
Employee benefits	666,000	523,864	515,427	8,437
Purchased/contract services	1,822,100	1,289,079	1,258,402	30,677
Materials and supplies	150,000	300,000	309,476	(9,476)
Depreciation	200,000	400,000	367,372	32,628
Other	22,000	20,600	14,370	6,230
<b>Total expenses</b>	<u>5,460,100</u>	<u>5,045,757</u>	<u>4,939,787</u>	<u>105,970</u>
<b>Change in net assets (budgetary basis)</b>	419,900	226,717	1,232,781	1,006,064
<b>Adjustments to conform to GAAP:</b>				
Principal	-	-	(7,595)	(7,595)
Depreciation	-	-	367,372	367,372
Capital outlay expenditures	-	-	(457,502)	(457,502)
<b>Excess of revenues over expenditures</b>	419,900	226,717	1,135,056	908,339
<b>Other financing sources (uses):</b>				
Transfers out	-	-	(119,726)	(119,726)
<b>Net change in fund balance</b>	419,900	226,717	1,015,330	788,613
<b>Fund balances at July 1, 2006</b>	<u>2,280,224</u>	<u>2,280,224</u>	<u>2,280,224</u>	<u>-</u>
<b>Fund balances at June 30, 2007</b>	<u>\$ 2,700,124</u>	<u>\$ 2,506,941</u>	<u>\$ 3,295,554</u>	<u>\$ 788,613</u>

See accompanying notes to required supplemental information.



**Mater Academy Charter Middle School  
(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, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Capital outlay	\$ 482,900	\$ 995,421	\$ 995,421	\$ -
Total revenue	482,900	995,421	995,421	-
Expenditures				
Purchased/contracted services	482,900	995,421	995,421	-
Total expenses	482,900	995,421	995,421	-
Excess of revenues over expenditures	-	-	-	-
Fund balances at July 1, 2006	-	-	-	-
Fund balances at June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to required supplemental information.

**Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**June 30, 2007**

**NOTE A - BASIS OF ACCOUNTING**

1. Budgetary basis

The School's annual budget is adopted for the entire operations at the 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. A reconciliation to excess (deficiency) of revenues over (under) expenditures presented in conformity with generally accepted accounting principles is set forth in the adjustments to the required supplementary information. The budget presented for the year ended June 30, 2007 has been amended according to Board procedures. During the fiscal year, expenditures were controlled at the object 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.

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 ON OTHERS MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Mater Academy Charter Middle School  
(A Charter School Under Mater Academy, Inc.)  
Hialeah Gardens, Florida



We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Mater Academy Charter Middle, (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, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 29, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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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.

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 School'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 prevented or detected by the Mater Academy Charter Middle's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting 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 Mater Academy Charter Middle'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 have reported in the management letter dated August 29, 2007.

Mater Academy Charter Middle's response to our findings identified in our audit is described in the accompanying letter of management response. We did not audit Mater Academy Charter Middle's response and, accordingly, we express no opinion on it.

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

August 29, 2007  
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 Academy Charter Middle School  
(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 Academy Charter Middle School (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, 2007, and have issued our report thereon dated August 29, 2007.

We issued our report on internal control over financial reporting and on compliance and other matters on August 29, 2007. 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 any of the conditions described in Section 218.503(1)(e), Florida Statutes.
3. There are no deteriorating financial conditions disclosed pursuant to Section 218.39(5), Florida Statutes.
4. See attached recommendations for matters, based on our professional judgment, that were inconsequential to the financial statements considering both quantitative and qualitative factors, including 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.
  - b. Improper expenditures discovered within the scope of the financial audit.
  - c. Deficiencies in internal control of inconsequential effect in relation to the financial statements and other recommendations to improve present financial management, accounting procedures, and internal controls.

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5. The official title of the School is *Mater Academy Charter Middle*, 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 Act, and Section 1002.33, Florida Statutes.

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

August 29, 2007  
Melbourne, Florida

*Berman Hopkins Wright & LaHam  
CPAs and Associates, LLP*

## **PREDECESSORS AUDITORS' FINDINGS**

### 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.

Repeated in current year.

### Post-date checks

Several checks that had been recorded in the general ledger but not posted to the bank reconciliation.

Finding was corrected for the year ended June 30, 2007.

## **Current Year Recommendations to Improve Financial Management, Accounting Procedures and Internal Control**

### **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 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.

Questioned cost: N/A

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 should prepare a preliminary and amended budget for each general and major special revenue fund.

### **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.

Questioned cost: N/A

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.



**Current Year Recommendations to Improve Financial Management, Accounting  
Procedures and Internal Control (continued)**

**07-3 Prepaid rent**

Criteria: Under the accrual basis of accounting, rent paid in advance should be classified as a prepaid expense.

Condition: Prepaid rent is maintained as an offset to accounts payable.

Questioned cost: N/A

Cause: Management failed to make an entry at year end to reclass the payment or supply the auditors with reclassification.

Effect: Accounts payable and prepaid expenses was understated by approximately \$95,500.

Auditors' recommendation: Management performs a reconciliation of each balance sheet account to ensure year end adjustments are made timely.

**07-4 Deposits**

Criteria: Under the accrual basis on accounting, deposits made after year end but applicable to the current fiscal year should be recorded as a receivable.

Condition: Reimbursements for salaries from affiliated schools of approximately \$70,173 were not recorded as a receivable.

Questioned cost: N/A

Cause: Management failed to reconcile bank deposits to their correct general ledger period.

Effect: Expenses were overstated by approximately \$70,173.

Auditors' recommendation: Management reconcile deposits recorded to the period for which they apply.

**Mater Academy Charter Middle School**

September 1, 2007

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

RE: MANAGEMENT'S RESPONSES TO AUDITOR'S RECOMMENDATIONS

Dear Mr. Whitely:

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

**CURRENT 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.

**07-3 Recommendation – Prepaid Rent**

Management performs a reconciliation of each balance sheet account to ensure year end adjustments are made timely.

**Management Response**

Management will follow the auditor's recommendation and performs a reconciliation of each balance sheet account to ensure year end adjustments are made timely.

**07-4 Recommendation – Deposits**

Management reconcile deposits recorded to the period for which they apply.

**Management Response**

Management will follow the auditor's recommendation and reconcile deposits recorded to the period for which they apply.

Sincerely,



Ana Maria Martinez

Authorized Signor for Mater Academy, Inc.