

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

**Basic Financial Statements and  
Supplemental Information**

**For the year ended  
June 30, 2009**

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

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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

2008-2009

**BOARD OF DIRECTORS**

Antonio Roca, Esq., Chair

Roberto Blanch

Shannine Sadesky

Juan Garcia

Elizabeth Nuevo

**SCHOOL ADMINISTRATION**

Judith Marty, Principal

Kenneth Fera, Assistant Principal

Carmen Cangemi, Assistant Principal

Teresa Santalo, Assistant Principal

**ORGANIZATION'S MANAGEMENT**

Academica Dade, LLC

6361 Sunset Dr.

Miami, Florida 33143

Officers :

Fernando Zulueta, President

Magdalena Fresen, Vice President, Treasurer

Ignacio Zulueta, Vice President

Collette Papa, Secretary

**INDEPENDENT AUDITORS' REPORT**



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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, 2009, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2009, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of the Mater Academy, Inc.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School as of June 30, 2009, 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 24, 2009, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and 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 on it.

August 24, 2009  
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, 2009.

### Financial Highlights

- The assets of the School exceeded its liabilities at June 30, 2009 by \$6,010,793 (net assets).
- At year-end, the School had current assets on hand of \$4,272,502.
- The net assets of the School increased by \$975,411 during the year.

### 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 for the year ended June 30, 2009 are presented under GASB 34. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

The government-wide financial statements can be found on pages 7 - 8 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, projects, or objectives. The School, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the School's funds are governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental 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 entire operations. Budgetary comparison schedules have been provided for the general fund and each major fund to demonstrate compliance with the School's budget.

The governmental fund financial statements can be found on pages 9 - 12 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 starting on page 13 of this report.

**Government-Wide Financial Analysis**

As noted previously, net assets may serve over time a useful indicator of a charter school's financial position. Assets exceeded liabilities by \$6,010,793 at the close of the fiscal year. A summary of the School's assets as of June 30, 2009 and 2008 follows:

**Statement of Net Assets**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,691,587	\$ 3,488,910
Due from other schools	20,321	-
Due from other agencies	203,914	62,267
Prepaid expenses	332,772	135,172
Deposits	23,908	400
Capital assets	2,375,265	1,754,518
Total assets	<u>6,647,767</u>	<u>5,441,267</u>
<b>LIABILITIES</b>		
Accounts payable	247,597	14,444
Accrued payroll and payroll taxes	310,157	298,537
Retainage payable	79,220	-
Due to other schools	-	62,862
Noncurrent liabilities	-	30,042
Total liabilities	<u>636,974</u>	<u>405,885</u>
<b>NET ASSETS</b>		
Invested in capital assets	2,375,265	1,754,518
Unrestricted	3,635,528	3,280,864
Total net assets	<u>\$ 6,010,793</u>	<u>\$ 5,035,382</u>

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2009 and 2008 follows:

	<b>2009</b>	<b>2008</b>
<b>REVENUES</b>		
Program revenues:		
Operating grants and contributions	\$ 1,601,564	\$ 1,499,722
Charges for services	46,887	132,045
General revenues:		
State passed through local school district	6,601,702	6,641,590
Other income	154,875	211,497
Total revenues	<u>8,405,028</u>	<u>8,484,854</u>
<b>EXPENSES</b>		
Basic instruction	3,323,261	3,720,984
Exceptional instruction	6,664	1,425
Instructional staff training services	18,320	16,644
Board of directors	23,581	57,387
School administration	1,237,542	965,718
Facilities acquisition and construction	79,390	46,268
Fiscal services	159,439	166,538
Food services	307,011	523,995
Central services	187,064	171,712
Research and development	-	1,914
Information services	4,682	434
Pupil transportation services	2,522	12,349
Operation of plant	1,926,027	2,108,621
Maintenance of plant	131,907	160,761
Community service	22,207	-
Total expenses	<u>7,429,617</u>	<u>7,954,750</u>
Loss on disposal	-	9,771
Change in net assets	975,411	520,333
Net assets at beginning of year	<u>5,035,382</u>	<u>4,515,049</u>
Net assets at end of year	<u>\$ 6,010,793</u>	<u>\$ 5,035,382</u>

The School's revenues decreased by \$79,826 in the current year primarily due to a decrease in FEFP funding as a result of state-wide budget cuts. The School also had a decrease in expenses for the year of \$525,133. Decreases in basic instruction and operation of plant accounted for the majority of the decreases in expenses. Operation of plant decreased because the School purchased less professional and contracted services in the current year and also allocated less money for repairs and maintenance expenses. The financial position of the School has improved during the current year. The School had an increase in its net assets (change in net assets) of \$975,411 for the year. In addition, the School increased its capital assets by approximately \$621,000.



### **Lease of Facility**

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

### **Capital Improvement Requirements**

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

### **Accomplishments**

In 2009, Mater Academy Charter Middle School earned a letter grade of an "A", ranking among the top-performing public middle schools in Miami-Dade County, Florida, based on the points it received under the State of Florida Accountability Program. The School received a "School Recognition Award" from the Florida Department of Education and the "Superintendent's Platinum Award" for its achievements. The School also met Adequate Yearly Progress under the No Child Left Behind Act.

The School provides its students with a rigorous curriculum, as well as a rich extra-curricular program of activities, including team sports and clubs. This past year, the School was the recipient of various awards, including the prestigious Future Business Leaders of America "Chapter of the Year" award and the Miami-Dade County Science Fair.

### **Financial Analysis of the Government's Funds**

As noted previously, 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 the School's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the School's general fund reported an unreserved fund balance of \$3,635,528.

### **Capital Assets**

The School's investment in capital assets for its governmental activities as of June 30, 2009, amounted to \$2,375,265 (net of accumulated depreciation). This investment in capital assets include building and fixed equipment, furniture, equipment and educational materials, audio visual materials, leasehold improvements, and computer software. Additional information on the School's capital assets can be found in Note C.

### **General Fund Budget Analysis and Highlights**

Prior to the start of the School's fiscal year, the Board of the School adopted an annual budget. During the year, there was a \$594,000 increase in appropriations from the original to final amended budget, due to anticipated increase in capital outlay expenditures. Additionally, budgeted appropriations exceeded actual expenditures by \$78,170. This excess was a result of anticipating more utility expenses and materials & supplies than was realized.

### **Request for Information**

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

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

**STATEMENT OF NET ASSETS**

**June 30, 2009**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 3,691,587
Due from other agencies	203,914
Due from other schools	20,321
Prepaid expenses	332,772
Deposits	23,908
Total current assets	<u>4,272,502</u>
<b>CAPITAL ASSETS</b>	
Capital assets, not being depreciated	
Construction in progress	792,202
Capital assets, net of accumulated depreciation	
Buildings and fixed equipment	1,662
Furniture, equipment and educational materials	1,047,221
Audio visual materials	31,971
Leasehold improvements	501,725
Computer software	484
Total capital assets	<u>2,375,265</u>
Total assets	<u>6,647,767</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts payable	247,597
Accrued payroll and payroll taxes	310,157
Retainage payable	79,220
Total liabilities	<u>636,974</u>
<b>NET ASSETS</b>	
Investment in capital assets	2,375,265
Unrestricted	3,635,528
Total net assets	<u>\$ 6,010,793</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, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 3,323,261	\$ -	\$ 444,199	\$ -	\$ (2,879,062)
Exceptional instruction	6,664	-	-	-	(6,664)
Instructional staff training services	18,320	-	-	-	(18,320)
Board of directors	23,581	-	-	-	(23,581)
School administration	1,237,542	-	-	-	(1,237,542)
Facilities acquisitions and construction	79,390	-	-	-	(79,390)
Fiscal services	159,439	-	-	-	(159,439)
Food services	307,011	46,887	256,668	-	(3,456)
Central services	187,064	-	-	-	(187,064)
Information services	4,682	-	-	-	(4,682)
Pupil transportation services	2,522	-	-	-	(2,522)
Operation of plant	1,926,027	-	900,697	-	(1,025,330)
Maintenance of plant	131,907	-	-	-	(131,907)
Community service	22,207	-	-	-	(22,207)
Total governmental activities	<u>\$ 7,429,617</u>	<u>\$ 46,887</u>	<u>\$ 1,601,564</u>	<u>\$ -</u>	<u>(5,781,166)</u>
			General revenues:		
			State passed through local school district	6,601,702	
			Other income	154,875	
			Total general revenues	<u>6,756,577</u>	
			Change in net assets	975,411	
			Net assets at July 1, 2008	<u>5,035,382</u>	
			Net assets at June 30, 2009	<u>\$ 6,010,793</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, 2009**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,691,587	\$ -	\$ -	\$ 3,691,587
Due from other agencies	4,781	199,133	-	203,914
Due from other schools	20,321	-	-	20,321
Due from other funds	199,133	-	-	199,133
Prepaid expenses	332,772	-	-	332,772
Deposits	23,908	-	-	23,908
Total assets	<u>\$ 4,272,502</u>	<u>\$ 199,133</u>	<u>\$ -</u>	<u>\$ 4,471,635</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 247,597	\$ -	\$ -	\$ 247,597
Accrued payroll and payroll taxes	310,157	-	-	310,157
Retainage payable	79,220	-	-	79,220
Due to other funds	-	199,133	-	199,133
Total liabilities	<u>636,974</u>	<u>199,133</u>	<u>-</u>	<u>836,107</u>
<b>FUND BALANCES</b>				
Unreserved	3,635,528	-	-	3,635,528
Total fund balances	<u>3,635,528</u>	<u>-</u>	<u>-</u>	<u>3,635,528</u>
Total liabilities and fund balances	<u>\$ 4,272,502</u>	<u>\$ 199,133</u>	<u>\$ -</u>	<u>\$ 4,471,635</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, 2009**

Fund balances - total governmental funds \$ 3,635,528

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:

Construction in progress	\$ 792,202	
Buildings and fixed equipment, net of \$3,618 accumulated depreciation	1,662	
Furniture, equipment and educational materials, net of \$1,630,755 accumulated depreciation	1,047,221	
Audio visual materials, net of \$14,661 accumulated depreciation	31,971	
Leasehold improvements, net of \$82,062 accumulated depreciation	501,725	
Computer software, net of \$110,619 accumulated depreciation	484	
Total capital assets		2,375,265
Total net assets of governmental activities		\$ 6,010,793

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, 2009**

	General Fund	Capital Outlay Fund	Other Governmental funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state	\$ -	\$ -	\$ 256,668	\$ 256,668
Federal passed through local school district	62,353	-	381,846	444,199
State passed through local school district	6,601,702	900,697	-	7,502,399
Charges for services	-	-	46,887	46,887
Other income	154,875	-	-	154,875
Total revenues	<u>6,818,930</u>	<u>900,697</u>	<u>685,401</u>	<u>8,405,028</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	2,657,491	-	378,440	3,035,931
Exceptional instruction	6,664	-	-	6,664
Instructional staff training services	14,914	-	3,406	18,320
Board of directors	23,581	-	-	23,581
School administration	1,246,962	-	-	1,246,962
Fiscal services	159,439	-	-	159,439
Food services	-	-	296,033	296,033
Central services	187,064	-	-	187,064
Information services	4,682	-	-	4,682
Pupil transportation services	2,522	-	-	2,522
Operation of plant	961,747	900,697	-	1,862,444
Maintenance of plant	74,467	-	-	74,467
Community service	22,207	-	-	22,207
Fixed capital outlay	1,140,090	-	-	1,140,090
Total expenditures	<u>6,501,830</u>	<u>900,697</u>	<u>677,879</u>	<u>8,080,406</u>
Excess of revenues over expenditures	<u>317,100</u>	<u>-</u>	<u>7,522</u>	<u>324,622</u>
<b>Other financing sources (uses):</b>				
Transfers in	7,522	-	-	7,522
Transfers out	-	-	(7,522)	(7,522)
Total other financing sources (uses)	<u>7,522</u>	<u>-</u>	<u>(7,522)</u>	<u>-</u>
Net change in fund balances	324,622	-	-	324,622
Fund balances at July 1, 2008	<u>3,310,906</u>	<u>-</u>	<u>-</u>	<u>3,310,906</u>
Fund balances at June 30, 2009	<u>\$ 3,635,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,635,528</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, 2009**

Net change in fund balances - total governmental funds	\$	324,622
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	\$ 1,140,090	
Less depreciation	<u>519,343</u>	
		620,747
Payment of compensated absences is an expenditure in the governmental funds, but the payment reduces the long-term liability in the statement of net assets.		<u>30,042</u>
Change in net assets of governmental activities	\$	<u><u>975,411</u></u>

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, 2009**

**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 five members. The financial information presented is that of the 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. The School is funded by the District and, in addition, receives government grants.

These financial statements are for the year ended June 30, 2009, when 1,155 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, 2009**

**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, 2009**

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

5. Due from other schools, governments or agencies

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

6. Interfund receivables, payables and transfers

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, 2009**

**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:

Buildings and fixed equipment	10 - 15
Furniture, equipment and educational materials	5
Audio visual materials	5
Leasehold improvements	10 - 15
Computer software	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(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

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

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

9. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid expenditures in both the government-wide and fund financial statements.

10. Compensated absences

The School grants a specific number of days of sick/personal leave. Full-time employees are eligible for one day per month of sick/personal leave up to ten days of active work during the ten month period. Employees and administrators wishing to carry forward unused days, at year-end, may do so. Employees can only cash out if they have used three days or less in that school year. Employees can only cash out ten days per school year and are always required to maintain a minimum of twenty-one days unused sick/personal leave. The cash out value for sick/personal leave is at eighty percent of their daily rate.

11. Use of estimates

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

**NOTE B - CASH AND CASH EQUIVALENTS**

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. 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, through December 31, 2013, all non-interest bearing transaction accounts (demand deposit accounts) are fully guaranteed by the FDIC for the entire amount in 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 until December 31, 2013. Thereafter, only balances up to \$100,000 will be insured. The School does not have a formal policy regarding custodial credit risk.

At June 30, 2009, \$11,446 of the School's cash balances were in non-interest bearing accounts and thus were fully insured. In addition, at June 30, 2009, the School also had \$4,030,000 in a cash sweep program with the Bank, which is not covered under any FDIC insurance programs.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**NOTE B - CASH AND CASH EQUIVALENTS (continued)**

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

At June 30, 2009, the School's investments included the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date less than one month</u>
Repurchase agreement	\$ 4,030,000	\$ 4,030,000

**NOTE C - INCOME TAXES**

The School is a charter school under Mater Academy, Inc., which qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

**NOTE D - DUE FROM OTHER AGENCIES**

Due from other agencies is comprised of the following amounts:

Due from District	\$ 199,133
Due from School Dev HG II LLC	<u>4,781</u>
	<u>\$ 203,914</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**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, 2009:

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 792,202	\$ -	\$ 792,202
Capital assets depreciated:				
Buildings and fixed equipment	5,280	\$ -	\$ -	5,280
Furniture, equipment and educational materials	2,460,284	217,692	-	2,677,976
Audio visual materials	16,042	30,590	-	46,632
Leasehold improvements	484,181	99,606	-	583,787
Computer software	111,103	-	-	111,103
Total assets depreciated	<u>3,076,890</u>	<u>\$ 347,888</u>	<u>\$ -</u>	<u>3,424,778</u>
Less accumulated depreciation:				
Buildings and fixed equipment	2,562	\$ 1,056	\$ -	3,618
Furniture, equipment and educational materials	1,167,131	463,624	-	1,630,755
Audio visual materials	9,048	5,613	-	14,661
Leasehold improvements	44,794	37,268	-	82,062
Computer software	98,837	11,782	-	110,619
Total accumulated depreciation	<u>1,322,372</u>	<u>\$ 519,343</u>	<u>\$ -</u>	<u>1,841,715</u>
Capital assets, net	<u>\$ 1,754,518</u>			<u>\$ 2,375,265</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**NOTE E - CAPITAL ASSETS (continued)**

Depreciation expense for the year ended June 30, 2009 was charged to functions of the School as follows:

Basic instruction	\$	307,952
Facility acquisition and construction		79,390
Food service		10,978
Operation of plant		63,583
Maintenance of plant		57,440
		57,440
	\$	519,343

**NOTE F - LONG-TERM DEBT**

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

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due within one year
Compensated absences	\$ 30,042	\$ -	\$ 30,042	\$ -	\$ -

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**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	\$ 4,578,216
Discretionary millage	500,050
Discretionary lottery	27,495
Declining enrollment	14,829
Instructional materials allocation	109,895
Supplemental academic instruction	403,242
Exceptional student education guaranteed allocation	211,031
Safe schools	35,863
Class size reduction funds	1,064,261
Over 500 FTE capital outlay	(194,050)
Administrative fee withheld (5%)	(148,127)
Other school board deductions	(103,359)
Subtotal	6,499,346
Capital outlay	900,697
Teacher lead program	8,133
Title I - Schoolwide	305,250
Title I - Reading leader	55,971
Title I - FCAT	20,625
Merit Award Program	58,660
Title III	3,693
Pay for performance	94,223
Total from the District School Board of Miami-Dade County	7,946,598
Other revenue	
Student lunch receipts	46,887
National School Lunch Program	256,668
Other revenue	154,875
	\$ 8,405,028



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**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. Academica Dade, LLC agrees to renew the contract at the School's option unless the School breaches the contract. During the year ended June 30, 2009, the School incurred \$519,755 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 44%, or \$1,128,027 to the School and 56% to the other charter school. Annual total payments for both schools are approximately \$2,563,698 (\$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. The School shares this facility with another charter school. Terms of the lease are to pay \$23.75 per square foot, for 33,600 square feet. The payments for this lease are allocated 56%, to the School and 44% to another charter school. Annual payments total \$857,695 adjusted annually based on the on the greater of one or the change in the Consumer Price Index (CPI) and continue through August 2026 with an option by the School to renew for an additional five-year term. Rent payments for the year ended June 30, 2009 totaled \$377,656.

The School also leases various office equipment with monthly payments ranging from \$128 to \$3,423 through 2009. Total rental payments associated with equipment for the year ended June 30, 2009 were \$22,330.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

2. Operating leases (continued)

Future minimum payments under the operating leases are as follows:

<u>Fiscal years</u>	
2010	\$ 1,505,683
2011	1,505,683
2012	1,505,683
2013	1,505,683
2014	1,505,683
2015-2019	7,528,415
2020-2024	7,528,415
2025-2027	<u>2,889,598</u>
	<u>\$ 25,474,843</u>

3. Construction commitments

At June 30, 2009, the School had uncompleted construction contracts and other contractual commitments related to the expansion of the School. At June 30, 2009 the remaining construction commitments were approximately \$133,000 of which \$79,220 is included in retainage payable in the accompanying statement of net assets and balance sheet.

**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. In keeping with the requirements for providing full disclosure, the following items are disclosed below:

1. Management service contract

The management company, Academica Dade, LLC (the "management company") provides oversight and management services based on a contractual arrangement with the School (See Note H-1). 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 \$519,755 for the year ending June 30, 2009.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

2. Operating lease

School Development H G II, LLC and Duke Schools Properties, LLC each own property which is leased to the School (See Note H-2). Presently, members of each of these companies are also stockholders in a company that solely owns Academica Dade, LLC. Academica Dade, LLC is also the company that manages the School (see Note H-1 and I-1). Total rent payments charged to the School for the year under this lease were \$1,505,683. The lease does not contain any provision as to the management of the School.

3. Due from / (due to) other schools

The School's facility is shared with Mater Academy Charter High School and Mater Performing Arts and Entertainment Academy (See Note H-2), 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 from / (due to) schools operated by Mater Academy, Inc. consist of the following at June 30, 2009:

Mater Academy Charter High School	<u>\$ 20,321</u>
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**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 has zero liability per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2009. 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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
FTE	\$ 6,904,775	\$ 6,485,118	\$ 6,501,366	\$ 16,248
Other revenue	90,000	250,000	317,564	67,564
Total revenue	<u>6,994,775</u>	<u>6,735,118</u>	<u>6,818,930</u>	<u>83,812</u>
Expenditures				
Salaries	2,945,000	2,910,000	2,904,452	5,548
Employee benefits	600,000	700,000	682,119	17,881
Purchased/contract services	1,085,000	710,000	703,909	6,091
Rentals & utilities	1,038,000	900,000	876,649	23,351
Materials and supplies	300,000	165,000	154,869	10,131
Capital outlay expenditures	-	1,150,000	1,140,090	9,910
Other	18,000	45,000	39,742	5,258
Total expenditures	<u>5,986,000</u>	<u>6,580,000</u>	<u>6,501,830</u>	<u>78,170</u>
Excess of revenues over expenditures	1,008,775	155,118	317,100	161,982
Other financing sources:				
Transfers in	-	10,000	7,522	(2,478)
Net change in fund balance	1,008,775	165,118	324,622	159,504
Fund balances at July 1, 2008	3,310,906	3,310,906	3,310,906	-
Fund balances at June 30, 2009	<u>\$ 4,319,681</u>	<u>\$ 3,476,024</u>	<u>\$ 3,635,528</u>	<u>\$ 159,504</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, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Capital outlay	\$ 812,000	\$ 910,000	\$ 900,697	\$ (9,303)
Total revenue	812,000	910,000	900,697	(9,303)
Expenditures				
Rent	812,000	910,000	900,697	9,303
Total expenditures	812,000	910,000	900,697	9,303
Excess of revenues over expenditures	-	-	-	-
Fund balances at July 1, 2008	-	-	-	-
Fund balances at June 30, 2009	<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, 2009**

**NOTE A - BASIS OF ACCOUNTING**

Budgetary basis

The School's annual budget is adopted for the entire operations at the modified-accrual combined governmental level and may be amended by the Board. The budget presented for the year ended June 30, 2009 has been amended according to Board procedures. During the fiscal year, expenditures were controlled at the fund level.

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



**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**

**BREVARD OFFICE**

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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, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 24, 2009. 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.

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Internal Control Over Financial Reporting

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

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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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.



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 that is more than inconsequential will not be prevented or detected by the School's internal control over financial reporting. We consider the deficiency described in the management letter dated August 24, 2009, as item 09-3 to be a significant deficiency in internal control over financial reporting.

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 School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above, as item 09-3 to be a material weakness.

#### Compliance and other matters

As part of obtaining reasonable assurance about whether Mater Academy Charter Middle School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement accounts. 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 also noted certain matters that we have reported to management in the management letter dated August 24, 2009.

Mater Academy Charter Middle School'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 School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Mater Academy Charter Middle School's management, Board of Directors, others within the entity, the District School Board of Miami-Dade County, the State of Florida Office of the Auditor General and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

August 24, 2009  
Melbourne, Florida

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

**MANAGEMENT LETTER**



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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 Mater Academy Charter High School (A Charter School Under Mater Academy, Inc.), ("the School"), a component unit of the District School Board of Miami-Dade County, Florida as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated August 24, 2009.

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 Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which are dated August 24, 2009, 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 the charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report as noted under the heading Prior Year Management Recommendations - Corrected.
- 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 identified recommendations as listed under the heading Current Year Management Recommendations items 09-1 and 09-2.

- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the School is *Mater Academy Charter Middle School*, 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.
- 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 used to determine if a school is in a financial emergency, 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 has not met any of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(3)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.

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 Mater Academy Charter Middle School's management, Board of Directors, others within the entity, the District School Board of Miami-Dade County, the State of Florida Office of the Auditor General and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

August 24, 2009  
Melbourne, Florida

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

## **Prior Year Management Recommendations - Corrected**

### 07-1 Budgetary comparison

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

Condition: The School's operating budget does not segregate the School's general fund from its major special revenue funds (i.e. capital outlay). The budget is prepared on a full accrual basis of accounting, instead of modified accrual; therefore, capital expenditures are not budgeted. In addition, the School did not amend their budget to reflect additional expenditures incurred, thus over-expended their budget in both the general fund and capital outlay fund.

Effect: The School is not in compliance with Redbook and their actual expenditures exceed their budgeted appropriations.

Auditors' recommendation: We recommend that management prepares budgets for all major funds. We also recommend that the board amends their budgets when appropriate. The School has the ability to amend their budget within 60 days after their fiscal year end.

As of June 30, 2009, the above issue has been resolved.

### 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.

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

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

As of June 30, 2009, the above issue has been resolved.

## **Prior Year Management Recommendations - Corrected**

### 08-01 Capitalization of fixed assets

Criteria: The School's capitalization policy calls for capitalization of property and equipment additions exceeding \$500 and an estimated useful life of more than two years.

Condition: When reviewing the fixed capital accounts for the School, we noted that there were items under the capitalization threshold that were being capitalized.

Cause: The School did not properly identify items that should not have been capitalized.

Effect: Capital asset accounts were overstated while supply expenditure accounts were understated by approximately \$58,000.

Auditors' recommendation: We recommend that the School review the expenditures of supplies and various repair and maintenance transactions to ensure that the amounts should not be capitalized.

As of June 30, 2009, the above issue has been resolved.

## **Current Year Management Recommendations**

### 09-1 Lunch program revenue and expense allocation

Criteria: Mater Academy Charter Middle School ("Mater Middle") receives lunch program funding, which is recorded by a related school under Mater Academy, Inc. in which Mater Middle shares a location. Mater Middle should then be allocated its proportionate share of the revenues and expenses related to this program.

Condition: During the course of the audit, it was noted that the related school which shares a location with Mater Middle recorded all lunch program revenues and expenses. At the end of the year, the related school allocated the profit or loss related to the program between the schools, but did not appropriately allocate the related revenues and expenses.

Effect: Mater Middle's revenues and expenses were understated by its proportionate share of the lunch program, approximately \$249,000.

Auditors' recommendation: We recommend that Mater Middle be appropriately allocated its share of the revenues and expenses related to the lunch program based on the number of students.

### 09-2 Construction in progress

Criteria: Uncompleted construction projects should be recorded as construction in progress on the Statement of Net Assets and should not be depreciated until the project has been completed and the asset is placed into service. In addition, when accounting for construction projects, it is necessary to accrue for retainage.

Condition: During our audit, we noted that the construction for a new pavilion was capitalized and depreciated on the fixed asset schedule. In addition, a construction draw and the retainage related to the construction project were not appropriately accrued.

Effect: The School's capital assets were understated by approximately \$248,000 while depreciation expense for the year was overstated approximately \$14,000.

Auditors' recommendation: We recommend that management track all construction costs and designate the project as construction in progress until the asset is placed into service. In addition, we recommend that the School record constructions commitments, such as retainage, when amounts have been incurred. Once construction is completed, the asset should be reclassified on the fixed asset schedule and depreciated.

## **Current Year Management Recommendations (continued)**

### **09-3 Cutoff procedures**

#### *Material Weakness*

Criteria: The accrual basis of accounting requires that all revenues be recorded when earned and all expenses be recorded in the period in which they are incurred.

Condition: During the search for unrecorded liabilities for the audit, we noted several material invoices that should have been recorded as a liability of the School at June 30, 2009.

Effect: The School's liabilities had to be materially adjusted to reconcile these errors by approximately \$311,000.

Auditors' recommendation: We recommend that the School accrue all expenses in the period in which they are incurred. In addition, we also recommend that the School implement procedures for reviewing these accrual accounts to ensure amounts are recorded in the correct period.

## Mater Academy Charter Middle School

August 28, 2009

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. Whitley:

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

### **CURRENT YEAR RECOMMENDATIONS**

#### **09-01 Recommendation – Lunch program revenue and expense allocation**

We recommend that Mater Middle be appropriately allocated its share of the revenues and expenses related to the lunch program based on the number of students.

#### **Management Response**

While management records the net effect of the lunch program for the shared School based on the number of students, management will follow the auditor's recommendation and record revenue and expenses as opposed to the net surplus/deficit.

#### **09-02 Recommendation – Construction in progress**

We recommend that management track all construction costs and designate the project as construction in progress until the asset is placed into service. In addition, we recommend that the School record constructions commitments, such as retainage, when amounts have been incurred. Once construction is completed, the asset should be reclassified on the fixed asset schedule and depreciated.

#### **Management Response**

Management will follow the auditor's recommendation.

#### **09-03 Recommendation – Cutoff procedures**

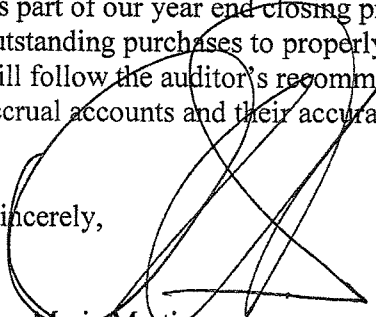
We recommend that the School accrue all expenses in the period in which they are incurred. In addition, we also recommend that the School implement procedures for reviewing these accrual accounts to ensure amounts are recorded in the correct period.



**Management Response**

As part of our year end closing procedures, management reviews all open invoices and outstanding purchases to properly accrue liabilities in the period incurred. Management will follow the auditor's recommendation and implement procedures for reviewing the accrual accounts and their accuracy.

Sincerely,



Ana Maria Martinez  
Authorized Signor for Mater Academy, Inc.