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ADVANCED LEARNING CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010

ADVANCED LEARNING CHARTER SCHOOL, INC.
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Government-wide Financial Statements (Continued)

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

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

The government-wide financial statements can be found on pages 7 and 8.

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

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

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

The School maintains two individual government funds. Information is presented separately in the governmental fund balance sheet and statement of revenue, expenditures and changes in fund balances. The general fund and special revenue fund are considered to be major funds.

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules have been provided to demonstrate compliance with this budget and can be found on pages 22 and 23.

The basic governmental fund financial statements can be found on pages 9 - 12.

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Notes to the financial statements The notes to the financial statements provide additional information that is essential for a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 - 20.

Government-Wide Financial Analysis

As previously mentioned, net assets serve as a useful indicator of the School's financial position. The School's liabilities exceeded assets by \$363,273 as of June 30, 2010. The School began operations and accepted its first students in August 2009.

The largest portion of the School's net assets reflects an investment of \$224,743 in capital assets (i.e., leasehold improvements, furniture, fixtures and equipment, audio visual equipment, and computers and peripherals), net of associated accumulated depreciation. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. A detailed description of the School's capital asset activity can be found in Note 3 of the Financial Statements on page 18.

Start-up expenses of the School totaled approximately \$380,000. In addition to the purchase of capital assets, these expenses include professional fees, temporary rent and other building improvements necessary to start the operations of the School. These start-up expenses were partially funded with a \$225,000 Charter School Program ("CSP") Federal Grant received by the School, of which \$33,861 was not expended as of June 30, 2010 and is reflected as a restricted asset. The remaining start-up expenses were funded through the School's Credit Facility, which is described further in Note 4 of the Financial Statements on page 19.

Financial Analysis of the Governmental Funds

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

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

The general fund is the chief operating fund of the School. At the end of the current fiscal year, unrestricted fund deficit of the general fund was \$621,877. A portion of this deficit was the result of accruals for salaries and accounts payable of approximately \$52,000 and deferred rent of approximately \$126,000 associated with the School's facility lease. A further description of the School's Facility Lease can be found in Note 5 of the Financial Statements on page 19 of this report. The balance of the deficit was funded by the School's Credit Facility, which is described further in Note 4 of the Financial Statements on page 19 of this report.

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

General Fund Budgetary Highlights

The actual net revenue in the general fund exceeded budgeted revenue by approximately \$5,000, while actual total expenditures exceeded budgeted by approximately \$130,000.

Capital Assets and Debt Administration

Capital assets The School's investment in capital assets for its governmental activities as of June 30, 2010 was \$224,743, net of accumulated depreciation. This investment in capital assets includes leasehold improvements, furniture fixtures and equipment, audio visual equipment, and computers and peripherals. Additional information on the School's capital assets can be found in Note 3 of the Financial Statements on page 18.

Debt Administration The School's long-term liabilities at June 30, 2010 totaled \$575,750. The School entered into a \$450,000 Credit Facility on October 29, 2009 to fund working capital obligations. A further discussion of the School's Credit Facility can found in Note 4 of the Financial Statements found on page 19.



Perez-Abreu+Aguerrebere+Sueiro+Torres, P.L.

CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Advanced Learning Charter School, Inc., (the "School"), a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Advanced Learning Charter School, Inc. as of June 30, 2010, 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.

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

We noted certain matters that we reported to management of the School in a separate letter dated September 15, 2010.

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

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

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

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

Coral Gables, Florida
September 15, 2010

ADVANCED LEARNING CHARTER SCHOOL, INC.
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 35,534
Deposits	<u>4,312</u>
Total current assets	<u>39,846</u>
Noncurrent assets:	
Capital assets, depreciable	244,223
Less: accumulated depreciation	<u>(19,480)</u>
Capital assets, net of depreciation	<u>224,743</u>
TOTAL ASSETS	<u>\$ 264,589</u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable and accrued expenses	<u>\$ 52,112</u>
Long-term liabilities:	
Credit facility	450,000
Deferred rent	<u>125,750</u>
	<u>575,750</u>
TOTAL LIABILITIES	<u>627,862</u>
Net Assets:	
Investment in capital assets, net of related debt	224,743
Temporarily restricted assets	33,861
Unrestricted (deficit)	<u>(621,877)</u>
Total net assets (deficit)	<u>(363,273)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 264,589</u>

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010

	Program Revenue				Net (Expense) Revenue and Changes in Net Assets	
	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:						
Instruction	\$ 490,815	\$ -	\$ -	222,759	\$ -	(268,056)
Instructional Media Services	2,445	-	-	-	-	(2,445)
Instruction & Curriculum Development	12,735	-	-	-	-	(12,735)
General Administration	701,845	-	-	2,241	-	(699,604)
School Administration	139,272	-	-	-	-	(139,272)
Facilities Acquisition and Construction	28,611	-	-	-	-	(28,611)
Fiscal Services	55,000	-	-	-	-	(55,000)
Food Services	79,088	-	18,804	-	-	(60,284)
Operation of Plant	75,261	-	-	-	-	(75,261)
Maintenance of Plant	343	-	-	-	-	(343)
Community Services	11,393	-	6,920	-	-	(4,473)
Total governmental activities	1,596,808	-	25,724	225,000	-	(1,346,084)
General revenue:						
FTE nonspecific revenues						983,196
Change in net assets						(362,888)
Net assets (deficit), beginning						(385)
Net assets (deficit), ending						<u>\$ (363,273)</u>

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,673	\$ 33,861	\$ 35,534
Deposits	<u>4,312</u>	<u>-</u>	<u>4,312</u>
TOTAL ASSETS	<u>\$ 5,985</u>	<u>\$ 33,861</u>	<u>\$ 39,846</u>
LIABILITIES			
Accounts payable and accrued expenses	<u>\$ 52,112</u>	<u>\$ -</u>	<u>\$ 52,112</u>
TOTAL LIABILITIES	<u>52,112</u>	<u>-</u>	<u>52,112</u>
FUND BALANCES			
Restricted	-	33,861	33,861
Unrestricted	<u>(46,127)</u>	<u>-</u>	<u>(46,127)</u>
TOTAL FUND BALANCES	<u>(46,127)</u>	<u>33,861</u>	<u>(12,266)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,985</u>	<u>\$ 33,861</u>	<u>\$ 39,846</u>

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 AS OF JUNE 30, 2010

Total Fund Balance (Deficit) - Governmental Funds \$ (12,266)

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

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

Long-term liabilities at year-end consist of:

Credit facility	(450,000)	
Deferred Rent	<u>(125,750)</u>	
		(575,750)

Capital assets of \$244,223 net of accumulated depreciation of \$19,480 used in governmental activities are not financial resources and therefore are not reported in governmental funds.

224,743

Total Net Assets (deficit) - Governmental Activities \$ (363,273)

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Federal through Local	\$ -	\$ 225,000	\$ 225,000
State and Local	983,196	-	983,196
Other revenue	<u>25,724</u>	<u>-</u>	<u>25,724</u>
TOTAL REVENUES	1,008,920	225,000	1,233,920
EXPENDITURES:			
Instruction	301,917	188,898	490,815
Instructional Media Services	2,445	-	2,445
Instruction & Curriculum Development	12,735	-	12,735
General Administration	573,854	2,241	576,095
School Administration	139,272	-	139,272
Facilities Acquisition and Construction	28,611	-	28,611
Fiscal Services	55,000	-	55,000
Food Services	79,088	-	79,088
Operation of Plant	75,261	-	75,261
Maintenance of Plant	343	-	343
Community Services	11,393	-	11,393
Capital Outlay	<u>224,743</u>	<u>-</u>	<u>224,743</u>
TOTAL EXPENDITURES	<u>1,504,662</u>	<u>191,139</u>	<u>1,695,801</u>
(DEFICIENCY) EXCESS OF REVENUES			
OVER EXPENDITURES	<u>(495,742)</u>	<u>33,861</u>	<u>(461,881)</u>
OTHER FINANCING SOURCES:			
Proceeds from credit facility	<u>450,000</u>	<u>-</u>	<u>450,000</u>
TOTAL OTHER FINANCING SOURCES	450,000	-	450,000
Net change in fund balance	(45,742)	33,861	(11,881)
Fund balance at beginning of year	<u>(385)</u>	<u>-</u>	<u>(385)</u>
Fund balance (deficit) at end of year	<u>\$ (46,127)</u>	<u>\$ 33,861</u>	<u>\$ (12,266)</u>

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010

Net Change in Fund Balance - Governmental Funds \$ (11,881)

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

Governmental funds report fixed capital outlays as expenditures.
 However, in the statement of activities the cost of those assets is
 allocated over their estimated useful lives as depreciation expense.
 This is the amount by which capital outlays of \$244,223 differed from
 depreciation expense of \$19,480. 224,743

Net proceeds from the credit facility provide current financial
 resources for governmental funds, but increase long-term liabilities in
 the statement of assets. (450,000)

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 governmental funds.
 Deferred Rent (125,750)

Change in Net Assets of Governmental Activities \$ (362,888)

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Advanced Learning Charter School, Inc. (the "School") is a Florida Not-For-Profit Corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The School was incorporated In July 2007. Prior to August 2009, the School's primary operations consisted of the administrative process of establishing a charter school.

During August 2009, the School opened a Charter School, Advanced Learning Charter School, located at 5855 NW 171 Street, Miami Gardens, Florida 33015, under a charter of the sponsoring school district, the School Board of Miami-Dade County, Florida (the "District"). The School is considered a component unit of the District. The School provides educational services to students in grades kindergarten to fifth. The Governing Board of the School is the School's Board of Directors, which is comprised of five members.

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

Government-wide and fund financial statements

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

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and fund financial statements (Continued)

The statement of activities presents a comparison between the direct 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 not clearly identifiable to a specific function and are accordingly allocated to various functions by the School. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds, which are reported in separate columns on the fund financial statements. Two of the School's funds are deemed to be major. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

Measurement focus, basis of accounting and financial statement presentation

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

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenue, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state or other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as an expenditure only when payment is due.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Special Revenue Fund – this fund accounts for all resources used by the School to acquire furniture, fixtures and equipment and other expenditures necessary to start the School to the extent funded by the Charter School Program Federal Grant ("CSP Grant").

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

Cash and cash equivalents

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

Deposits

Deposits represent deposits for various utilities and service contracts. The School's management considers 100% of the deposits receivable to be collectible.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements at historical cost. Capital assets are defined by the School as assets with an initial combined cost of more than \$500 and an estimated useful life of more than two years. Donated capital assets are recorded at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred.

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

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

Long-term liabilities

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

Long-term liabilities at June 30, 2010 include borrowings under a \$450,000 credit facility (Note 4). In addition, long-term liabilities include deferred rent of approximately \$126,000, which was reflected in accordance with Accounting Codification Standards 840-10 and 840-20, *Accounting for Leases*. These standards requires that rent expense be recognized on a straight-line basis over the term of the lease. The liability represents the cumulative portion of rent expense that has been incurred in excess of payments made in accordance with the terms of the lease (Note 5).

Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the Contract [School's charter]. In accordance with the funding provisions of the Contract and Section 1002.33(17), Florida Statutes, the School reports the number of Full Time Equivalent ("FTE") students and related student information to the District.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue sources (Continued)

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related student information to the Florida Department of Education (the "FDOE") for funding through the Florida Education Finance Program ("FEFP"). Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the FEFP and actual FTE students reported by the School. These adjustments occur four (4) times during the school year.

The School receives federal grant funding through the District CSP Grant for outfitting and start-up expenditures. This grant funding has various expenditure requirements, which if not met will result in the School forfeiting the portion of funding that does not meet the expenditure requirements.

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

Income Taxes

The School is a Florida not-for-profit organization. The School intends to file Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, during the 2010 fourth quarter. The School does expect to have any income tax liability for the fiscal year ended June 30, 2010. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Compensated Absences

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

Use of estimates

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

Management Review of Subsequent Events

Management has evaluated subsequent events through September 15, 2010, the date when the financial statements were available to be issued.

ADVANCED LEARNING CHARTER SCHOOL, INC.
 NOTES TO FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

NOTE 2 - CASH

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be recovered. The School does not have a formal policy regarding custodial credit risk. The School maintains its cash balances in a financial institution (the "Bank"). The Bank participates in the Federal Deposit Insurance Corporation (FDIC) Transaction Account Guarantee Program. Under this program all non-interest bearing transaction accounts are fully guaranteed by the FDIC for the entire amount of the account. Coverage under this program is in addition to and separate from the coverage available under the FDIC's basic deposit insurance rules. Balances in other account types, including interest bearing accounts, are insured up to \$250,000.

At June 30, 2010, the School's cash balances of \$35,534 were held in non-interest bearing accounts and were fully insured.

NOTE 3 - CAPITAL ASSETS

Changes in capital assets consist of the following:

	Balance at July 1, 2009	Additions	Disposals	Balance at June 30, 2010
Capital assets:				
Leasehold improvements	\$ -	\$ 76,373	\$ -	\$ 76,373
Furniture, fixtures and equipment	-	115,925	-	115,925
Audio visual equipment	-	1,968	-	1,968
Computers and peripherals	-	49,957	-	49,957
Total capital assets	<u>-</u>	<u>244,223</u>	<u>-</u>	<u>244,223</u>
Less accumulated depreciation:				
Leasehold improvements	-	2,546	-	2,546
Furniture, fixtures and equipment	-	8,280	-	8,280
Audio visual equipment	-	328	-	328
Computers and peripherals	-	8,326	-	8,326
Total accumulated depreciation	<u>-</u>	<u>19,480</u>	<u>-</u>	<u>19,480</u>
Total governmental activities capital assets, net	<u>\$ -</u>	<u>\$ 224,743</u>	<u>\$ -</u>	<u>\$ 224,743</u>

Depreciation expense for the period ended June 30, 2010 was \$19,480 and is allocated in the Statement of Activities to instruction, instructional media services, and facilities acquisition and construction.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

NOTE 4 - CREDIT FACILITY

On October 29, 2009, the School entered into a credit facility with BridgeRock Capital Corporation ("BridgeRock"), a related party (Note 6), in the amount of \$500,000. The effective date of the credit facility is November 1, 2009 and matures on October 31, 2012. The outstanding principal balance and accrued interest (at 9.75% per annum) are due at maturity. Under the terms of the credit facility, the School may make draws in minimum increments of \$25,000 up to the facility amount. The balance drawn against the credit facility at June 30, 2010 was \$450,000.

Total interest expense for the year then ended June 30, 2010 was approximately \$22,000.

NOTE 5 - FACILITY LEASE

On October 29, 2009, the School entered into a Facility Lease (the "Lease") with Palmetto KTP, LLC, ("Palmetto") a related party (Note 6). The effective date of the lease is July 1, 2009 and ends on June 30, 2024. The lease provides for an additional fifteen (15) year option period, provided the School is in compliance with the terms of the lease. Base rent of the lease escalates at a rate of 4.0% or the Consumer Price Index per year, whichever is greater. Future commitments under the lease are as follows:

School Year	Future Commitments
2010-2011	\$ 390,499
2011-2012	406,119
2012-2013	422,364
2013-2014	439,258
Thereafter	<u>5,484,736</u>
Total	<u>\$ 7,142,976</u>

Total rent expense for the year then ended June 30, 2010 was approximately \$527,000.

NOTE 6 - RELATED PARTIES

BridgeRock is the provider of the credit facility (Note 4) to the School. During the year ended June 30, 2010, the School paid interest of approximately \$22,000 to BridgeRock.

In addition, the School leases its facilities (Note 5) from Palmetto, a company related to BridgeRock by common ownership. During the year ended June 30, 2010, the School incurred rent expense of approximately \$501,000 with Palmetto.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

NOTE 7 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; general liabilities; and natural disasters for which the School carries commercial liability insurance. There have been no claims against the policy during fiscal year ended June 30, 2010.

REQUIRED SUPPLEMENTAL INFORMATION

ADVANCED LEARNING CHARTER SCHOOL
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET VS. ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budget		Actual	Final Variance
	Original	Final		
Revenue				
FEFP	\$ 936,385	\$ 983,548	\$ 983,196	\$ (352)
Lunch Service	18,000	18,000	18,804	804
Before & After Care	<u>29,466</u>	<u>2,372</u>	<u>6,920</u>	<u>4,548</u>
Gross Revenue	983,851	1,003,920	1,008,920	5,000
Indirect Costs	<u>(46,775)</u>	<u>(49,154)</u>	<u>(49,160)</u>	<u>(6)</u>
Net Revenue	937,076	954,766	959,760	4,994
Expenditures				
<i>Salaries & Benefits</i>				
Salaries & Wages	459,964	514,107	512,185	(1,922)
Benefits & Taxes	<u>69,890</u>	<u>77,313</u>	<u>75,887</u>	<u>(1,426)</u>
Total Salaries and Benefits Expenditures	529,854	591,420	588,072	(3,348)
<i>Instructional</i>				
Classroom Expenses	12,481	19,896	22,308	2,412
Textbooks	2,666	45,632	46,346	714
Classroom FF&E	5,869	3,813	3,810	(3)
Instructional Support	<u>14,875</u>	<u>7,063</u>	<u>6,613</u>	<u>(450)</u>
Total Instructional Expenditures	35,891	76,404	79,077	2,673
<i>Operating</i>				
Office expenses	5,106	9,894	12,125	2,231
Office FF&E	6,672	1,660	1,660	-
Communications	8,614	8,608	8,479	(129)
Utilities	11,600	13,052	14,068	1,016
Waste Removal	2,688	288	288	-
Janitorial	5,823	15,697	15,219	(478)
Maintenance	<u>1,800</u>	<u>343</u>	<u>343</u>	<u>-</u>
Total Operating Expenditures	42,303	49,542	52,182	2,640
<i>General Administration</i>				
Professional Fees	58,000	58,874	58,874	-
Legal Fees	5,000	7,070	7,070	-
Advertising	21,470	18,602	10,602	(8,000)
Miscellaneous	2,000	3,408	3,406	(2)
Insurance - Comprehensive	13,730	12,380	11,424	(956)
Interest	34,300	22,219	21,531	(688)
Bank Fees	<u>935</u>	<u>3,654</u>	<u>3,664</u>	<u>10</u>
Total General Administration Expenditures	135,435	126,207	116,571	(9,636)
Food Service	67,962	74,458	79,088	4,630
Before and After Care Expenses	21,431	10,855	11,393	538
Facility Rent	426,680	426,680	552,430	125,750
Building Improvements	<u>9,823</u>	<u>95,754</u>	<u>102,439</u>	<u>6,685</u>
Total Expenditures	<u>1,269,379</u>	<u>1,451,320</u>	<u>1,581,252</u>	<u>129,932</u>
Change in Fund Balance	(332,303)	(496,554)	(621,492)	(124,938)
Fund Balance at July 1, 2009	<u>(385)</u>	<u>(385)</u>	<u>(385)</u>	<u>-</u>
Fund Balance at June 30, 2010	<u>\$ (332,688)</u>	<u>\$ (496,939)</u>	<u>\$ (621,877)</u>	<u>\$ (124,938)</u>

See accompanying notes to required supplemental information.

ADVANCED LEARNING CHARTER SCHOOL, INC.
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET VS. ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budget		Actual	Final Variance
	Original	Final		
Revenue				
CSP Grant	<u>\$ 225,000</u>	<u>\$ 225,000</u>	<u>\$ 225,000</u>	<u>\$ -</u>
Gross Revenue	225,000	225,000	225,000	-
Indirect Costs	<u>(2,241)</u>	<u>(2,241)</u>	<u>(2,241)</u>	<u>-</u>
Net Revenue	222,759	222,759	222,759	-
Expenditures				
<i>Instructional</i>				
Textbooks	43,318	13,764	13,764	-
Classroom FF&E	172,941	169,011	169,011	-
Instructional Support	<u>5,000</u>	<u>5,000</u>	<u>6,123</u>	<u>(1,123)</u>
Total Instructional Expenditures	221,259	187,775	188,898	(1,123)
<i>General Administration</i>				
Travel - conferences	<u>1,500</u>	-	-	-
Total General Administration Expenditures	1,500	-	-	-
Total Expenditures	<u>222,759</u>	<u>187,775</u>	<u>188,898</u>	<u>(1,123)</u>
Change in Fund Balance	-	34,984	33,861	1,123
Fund Balance at July 1, 2009	-	-	-	-
Fund Balance at June 30, 2010	<u>\$ -</u>	<u>\$ 34,984</u>	<u>\$ 33,861</u>	<u>\$ 1,123</u>

See accompanying notes to required supplemental information.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - BUDGETARY INFORMATION

Basis of accounting

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

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

Excess of expenditures over appropriations

Total expenditures in the School's General Fund exceeded the budget by approximately \$125,000. This budget over-run was primarily related to the effect of straight-lining the facility lease in accordance with generally accepted accounting principals.

SUPPLEMENTAL INFORMATION

ADVANCED LEARNING CHARTER SCHOOL, INC.
 SCHEDULE OF FUNCTIONAL EXPENDITURES - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

Function	Salaries & Wages	Fringe Benefits	Purchased Services	Energy Services	Materials & Supplies	Capital Outlay	Other Expenses	TOTAL
Instruction	\$ 361,303	\$ 27,633	\$ 6,970	\$ -	\$ 55,561	\$ 3,810	\$ -	\$ 455,277
Instructional Media Services	-	-	-	-	-	-	-	-
Instruction & Curriculum Development	-	-	12,735	-	-	-	-	12,735
General Administration	-	36,441	592,407	-	-	-	70,757	699,605
School Administration	116,552	8,935	2,249	-	9,876	1,660	-	139,272
Facilities Acquisition and Construction	-	-	1,823	-	-	100,616	-	102,439
Fiscal Services	-	-	55,000	-	-	-	-	55,000
Food Services	-	-	-	-	79,088	-	-	79,088
Operation of Plant	34,330	2,878	10,134	12,700	8,118	-	7,102	75,262
Maintenance of Plant	-	-	343	-	-	-	-	343
Community Services	10,643	358	-	-	-	-	392	11,393
Total Expenditures	<u>\$ 522,828</u>	<u>\$ 76,245</u>	<u>\$ 681,661</u>	<u>\$ 12,700</u>	<u>\$ 152,643</u>	<u>\$ 106,086</u>	<u>\$ 78,251</u>	<u>\$ 1,630,414</u>

ADVANCED LEARNING CHARTER SCHOOL, INC.
 SCHEDULE OF FUNCTIONAL EXPENDITURES - SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2010

Function	Purchased Services	Materials & Supplies	Capital Outlay	Other Expenses	TOTAL
Instruction	\$ 6,122	\$ 13,764	\$ 134,776	\$ -	\$ 154,662
Instructional Media Services	-	-	34,235	-	34,235
Instruction & Curriculum Development	-	-	-	-	-
General Administration	-	-	-	2,241	2,241
School Administration	-	-	-	-	-
Facilities Acquisition and Construction	-	-	-	-	-
Fiscal Services	-	-	-	-	-
Food Services	-	-	-	-	-
Operation of Plant	-	-	-	-	-
Maintenance of Plant	-	-	-	-	-
Community Services	-	-	-	-	-
Total Expenditures	\$ 6,122	\$ 13,764	\$ 169,011	\$ 2,241	\$ 191,138



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

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

We have audited the financial statements of Advanced Learning Charter School, Inc. (the "School") as of, and for the year ended June 30, 2010, and have issued our report thereon dated September 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

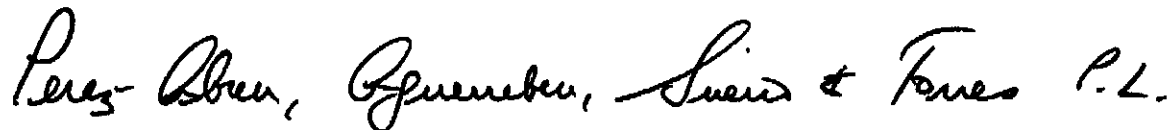
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free 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 one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards.

- Pursuant to Section 1002.33(9) (j), the governing body of the charter school must participate in governance training approved by the Florida Department of Education. Each governing board member must complete a minimum of four (4) hours of instruction as specified in Section 1002.33(9)(k), F.S. within 90 days of their appointment to the board. We noted that the school could not provide support of completion for one board member, Ana Garcia Bercerra.

We noted certain matters that we reported to management of the School in a separate letter dated September 15, 2010.

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



Coral Gables, Florida
September 15, 2010



MANAGEMENT LETTER

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

We have audited the financial statements of the Advanced Learning Charter School, Inc. (the "School"), Florida, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated September 15, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters dated September 15, 2010, should be considered in conjunction with this management letter.

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

1. Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.
 - As this is the first year of operations for the School and the initial audit, there were no recommendations made in a preceding audit.
2. Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we noted the following:
 - The School currently records its fixed asset purchases and calculates the corresponding depreciation using excel spreadsheets. We recommend the School obtain fixed asset software to better control and streamline its fixed asset detail, depreciation, and additions and disposals.
 - Currently, there is one authorized check signer whom has unlimited signing authority. This individual also performs the monthly reconciliations for all bank accounts. We recommend the School implements dollar limitations for check signers and have reconciliations performed by individuals without signing authority.

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

3. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential.
 - In connection with our audit, we did not have any such findings.
4. Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies.
 - In connection with our audit, we did not have any such findings.
5. Section 10.854(1)(e)6, Rules of the Auditor General, requires the name or official title of the school.
 - The official title of the school is Advanced Learning Charter School.
6. Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met.
 - In connection with our audit, we determined that the School met the condition described in Section 218.503(1)(e), Florida Statutes. The School reported an unrestricted deficit fund balance of \$621,877 as of June 30, 2010. As described below, the condition met was not a result of deteriorating financial conditions.
7. Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.
 - We have applied such procedures and no deteriorating financial condition has been noted. It should be noted that although the School reported an unrestricted deficit fund balance of \$621,877 as of June 30, 2010, the School incurred various costs associated with the start-up operations of a charter school. This included the purchases of equipment, books, building improvements, and other items that are expected to provide future benefits to the School. In addition, the School incurred expenses of approximately \$126,000 in deferred rent that is not expected to begin repayment until July 2017.

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

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Perez Ben, Gueneba, Lucia & Torres P.L.

Certified Public Accountants
Coral Gables Florida
September 15, 2010

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S RESPONSE TO AUDIT FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

The following is the School's response to the items noted in the Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards and Management Letter dated September 15, 2010, as required by Rule 10.857, Rules of the Auditor General:

Finding 1

Pursuant to Section 1002.33(9) (j), the governing body of the charter school must participate in governance training approved by the Florida Department of Education. Each governing board member must complete a minimum of four (4) hours of instruction as specified in Section 1002.33(9)(k), F.S. within 90 days of their appointment to the board. We noted that the school could not provide support of completion for one board member; Ana Garcia Bercerra.

Response

Ana Garcia Becerra has completed her required governance training as of September 8, 2010.

Finding 2

The School currently records its fixed asset purchases and calculates the corresponding depreciation using excel spreadsheets. We recommend the School obtain fixed asset software to better control and streamline its fixed asset detail, depreciation, and additions and disposals.

Response

We are currently evaluating several automated fixed asset systems and expect to finalize implementation within the first three quarters of 2011.

Finding 3

Currently, there is one authorized check signor whom has unlimited signing authority. Additionally, this individual also performs the monthly reconciliations for all bank accounts. We recommend the School implements dollar limitations for check signers and reconciliations should be performed by individuals without signing authority.

Response

We plan on expanding the accounting department to segregate the cash disbursement function from the reconciling process. Additionally, we will authorize additional signors on the School's bank accounts and will examine the amount and extent of dollar limits on check signing authority.