

ADVANCED LEARNING CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2011

ADVANCED LEARNING CHARTER SCHOOL, INC.
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 JUNE 30, 2011 AND 2010

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ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

As management of Advanced Learning Charter School (the "School"), a component unit of the School Board of Miami-Dade County, Florida, and Advanced Learning Charter School, Inc. (the "Charter Holder") we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2011 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements starting on page 8.

Financial Highlights

- Liabilities exceeded assets at the end of the fiscal year by \$159,737.
- Current assets exceeded current liabilities at the end of the fiscal year by \$162,248.
- The change in net assets for the year ended June 30, 2011 was \$203,536.
- The balance of the School's Credit Facility at the end of the fiscal year was \$390,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements 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, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

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 8 and 9 of this report.

Fund financial statements A fund is a collection of related accounts grouped together to maintain control over resources that have been segregated for specific activities and objectives. The School, like state and local governments, use 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 is considered to be a major fund.

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 23 and 24 of this report.

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

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes the financial statements can be found starting on page 14 of this report.

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Government-wide Financial Analysis

As noted previously, net assets serve, over time, as a useful indicator of the School's financial position. For the years ended June 30, 2011 and 2010, the School's liabilities exceeded assets by \$159,737 and \$363,273, respectively. The School began school operations and accepted its first students in August 2009.

The largest portion of the School's net assets, reflect an investment of \$304,496 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 19 of this report

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

	Governmental Activities		
	2011	2010	Variance
ASSETS			
Current and other assets	\$ 288,439	\$ 39,846	\$ 248,593
Capital assets, net of depreciation	304,496	224,743	79,753
Total assets	<u>\$ 592,935</u>	<u>\$ 264,589</u>	<u>\$ 328,346</u>
LIABILITIES			
Current and other liabilities	\$ 126,191	\$ 52,112	\$ 74,079
Long-term liabilities	626,481	575,750	50,731
Total liabilities	<u>752,672</u>	<u>627,862</u>	<u>124,810</u>
NET ASSETS			
Investment in capital assets	304,496	224,743	79,753
Restricted assets	-	33,861	(33,861)
Unrestricted (deficit)	(464,233)	(621,877)	157,644
Total net assets (deficit)	<u>\$ (159,737)</u>	<u>\$ (363,273)</u>	<u>\$ 203,536</u>

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Government-wide Financial Analysis (Continued)

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

	<u>2011</u>	<u>2010</u>	<u>Variance</u>
Revenue			
Federal through Local	\$ 339,828	\$ 225,000	\$ 114,828
State and Local	2,451,780	983,196	1,468,584
Other revenue	<u>136,971</u>	<u>25,724</u>	<u>111,247</u>
Total revenue	2,928,579	1,233,920	1,694,659
Expenditures			
Instruction	1,100,260	490,815	609,445
Instructional Media Services	-	2,445	(2,445)
Instruction & Curriculum Dev Services	49,858	12,735	37,123
General Administration	817,637	701,845	115,792
School Administration	240,776	139,272	101,504
Facilities Acquisition and Construction	6,017	28,611	(22,594)
Fiscal Services	60,000	55,000	5,000
Food Services	221,037	79,088	141,949
Operation of Plant	126,256	75,261	50,995
Maintenance of Plant	12,586	343	12,243
Community Services	<u>90,616</u>	<u>11,393</u>	<u>79,223</u>
Total expenditures	<u>2,725,043</u>	<u>1,596,808</u>	<u>1,128,235</u>
Change in net assets	203,536	(362,888)	566,424
Fund balance at the beginning of the year	<u>(363,273)</u>	<u>(385)</u>	<u>(362,888)</u>
Fund balance at the end of the period	<u>\$ (159,737)</u>	<u>\$ (363,273)</u>	<u>\$ 203,536</u>

Financial Analysis of the Governmental Funds

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

Financial Analysis of the Governmental Funds (Continued)

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, unreserved fund deficit of the general fund was \$464,233. This deficit was reduced by approximately \$158,000 during the current fiscal year and is the result of prior year start-up expenses of approximately \$235,000 and cumulative deferred rent of approximately \$236,000 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 20 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 20 of this report.

General Fund Budgetary Highlights

The actual net revenue in the general fund was less than budgeted revenue by approximately \$19,000, while budgeted expenditures were less than budgeted expenditures by approximately \$15,000. The revenue variance is related primarily to before and after care revenue collected from parents, while the expenditure variance is related primarily food services expenses in excess of budget.

Capital Assets and Debt Administration

Capital assets The School's investment in capital assets for its governmental activities as of June 30, 2011 was \$304,496, 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 19 of this report.

Debt Administration The School's long-term liabilities at June 30, 2011 totaled \$626,481. This balance is comprised of a \$390,000 Credit Facility and \$236,481 in Deferred Rent associated with the School's Facility Lease.. The School entered into a Credit Facility on October 29, 2009 to fund working capital obligations. Further discussions of the School's Credit Facility and Facility Lease can found in Notes 4 and 5, respectively, of the Financial Statements found on page 20 of this report.



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, 2011, 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, 2011, 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 31, 2011, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

We noted certain matters that we reported to management of the School in a separate letter dated August 31, 2011.

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

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

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

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

Coral Gables, Florida
August 31, 2011

ADVANCED LEARNING CHARTER SCHOOL
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 248,814
Accounts receivable	28,527
Other Assets	<u>11,098</u>
Total current assets	<u>288,439</u>
Noncurrent assets:	
Capital assets, depreciable	375,386
Less: accumulated depreciation	<u>(70,890)</u>
Capital assets, net of depreciation	<u>304,496</u>
TOTAL ASSETS	<u>\$ 592,935</u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable and accrued expenses	<u>\$ 126,191</u>
Long-term liabilities:	
Credit facility	390,000
Deferred rent	<u>236,481</u>
	<u>626,481</u>
TOTAL LIABILITIES	<u>752,672</u>
Net Assets:	
Investment in capital assets, net of related debt	304,496
Temporarily restricted assets	-
Unrestricted (deficit)	<u>(464,233)</u>
Total net assets (deficit)	<u>(159,737)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 592,935</u>

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

ADVANCED LEARNING CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 1,184,349	\$ -	\$ 148,763	\$ -	\$ (1,035,586)
Instructional Media Services	-	-	-	-	-
Instruction & Curriculum Development	49,858	-	6,644	-	(43,214)
General Administration	713,097	-	-	-	(713,097)
School Administration	256,647	22,286	-	-	(234,361)
Facilities Acquisition and Construction	6,017	-	-	-	(6,017)
Fiscal Services	60,000	-	-	-	(60,000)
Food Services	221,037	21,052	184,421	-	(15,564)
Operation of Plant	130,836	-	-	-	(130,836)
Maintenance of Plant	12,586	-	-	-	(12,586)
Community Services	90,616	93,633	-	-	3,017
Total governmental activities	\$ 2,725,043	\$ 136,971	\$ 339,828	\$ -	(2,248,244)
General revenue:					
FTE nonspecific revenues					2,451,780
Change in net assets					203,536
Net assets (deficit), beginning					(363,273)
Net assets (deficit), ending					\$ (159,737)

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

ADVANCED LEARNING CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 248,814	\$ -	\$ 248,814
Accounts receivable	28,527	-	28,527
Other assets	11,098	-	11,098
TOTAL ASSETS	<u>\$ 288,439</u>	<u>\$ -</u>	<u>\$ 288,439</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 126,191	\$ -	\$ 126,191
TOTAL LIABILITIES	<u>126,191</u>	<u>-</u>	<u>126,191</u>
FUND BALANCES			
Restricted	-	-	-
Unrestricted	162,248	-	162,248
TOTAL FUND BALANCES	<u>162,248</u>	<u>-</u>	<u>162,248</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 288,439</u>	<u>\$ -</u>	<u>\$ 288,439</u>

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 AS OF JUNE 30, 2011

Total Fund Balance - Governmental Funds \$ 162,248

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	(390,000)	
Deferred Rent	<u>(236,481)</u>	
		(626,481)

Capital assets of \$375,386 net of accumulated depreciation of \$70,890 used in governmental activities are not financial resources and therefore are not reported in governmental funds.

304,496

Total Net Assets (deficit) - Governmental Activities \$ (159,737)

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

ADVANCED LEARNING CHARTER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES:			
Federal passed through local school district	\$ 184,421	\$ 155,407	\$ 339,828
State passed through local school district	2,451,780	-	2,451,780
Other revenue	<u>136,971</u>	<u>-</u>	<u>136,971</u>
TOTAL REVENUES	<u>2,773,172</u>	<u>155,407</u>	<u>2,928,579</u>
EXPENDITURES:			
Instruction	1,051,133	174,937	1,226,070
Instructional Media Services	110	2,500	2,610
Instruction & Curriculum Dev Services	43,214	6,644	49,858
General Administration	608,499	141	608,640
School Administration	263,568	5,046	268,614
Facilities Acquisition and Construction	18,218		18,218
Fiscal Services	60,000		60,000
Food Services	221,037		221,037
Operation of Plant	130,836		130,836
Maintenance of Plant	17,566		17,566
Community Services	<u>90,616</u>	<u>-</u>	<u>90,616</u>
TOTAL EXPENDITURES	<u>2,504,797</u>	<u>189,268</u>	<u>2,694,065</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>268,375</u>	<u>(33,861)</u>	<u>234,514</u>
OTHER FINANCING SOURCES:			
Repayment of credit facility	<u>(60,000)</u>	<u>-</u>	<u>(60,000)</u>
TOTAL OTHER FINANCING SOURCES	<u>(60,000)</u>	<u>-</u>	<u>(60,000)</u>
Net change in fund balance	208,375	(33,861)	174,514
Fund balance at the beginning of the year	<u>(46,127)</u>	<u>33,861</u>	<u>(12,266)</u>
Fund balance at the end of the year	<u>\$ 162,248</u>	<u>\$ -</u>	<u>\$ 162,248</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, 2011

Net Change in Fund Balance - Governmental Funds \$ 174,514

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 \$131,163 differed from
 depreciation expense of \$51,410. 79,753

Net repayments of the credit facility reduce current financial resources
 for governmental funds, but decrease long-term liabilities in the
 statement of assets. 60,000

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 (110,731)

Change in Net Assets of Governmental Activities \$ 203,536

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, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Advanced Learning Charter School, Inc. (the "School") is a Florida Not-For-Profit Corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The School operates a Charter School (the "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, 2011

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 revenue 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 revenue consists of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refers to amounts received from those who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds, which are reported in separate columns on the fund financial statements. 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 provides that the expenditure of resources is the prime factor for determining eligibility for federal, state or other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as an expenditure only when payment is due.

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Special Revenue Fund – this fund accounts for all resources used by the School to 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.

Accounts receivable

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

Capital assets

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets (Continued)

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

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

Long term obligations

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

Long-term liabilities at June 30, 2011 include borrowings under a \$500,000 credit facility in the amount of \$390,000 (Note 4). In addition, long-term liabilities include deferred rent of approximately \$236,000, which was reflected in accordance with Accounting Codification Standards 840-10 and 840-20, *Accounting for Leases*. These standards require that rent expense be recognized on a straight-line basis over the term of the lease. The liability represents the cumulative portion of rent expense that has been incurred in excess of payments made in accordance with the terms of the lease (Note 5).

Revenue sources

Revenues for current operations are received primarily from the State of Florida through the District pursuant to the funding provisions included in the 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. 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.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Sources (Continued)

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

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 August 31, 2011, 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, 2011

NOTE 2 - CASH

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

NOTE 3 - CAPITAL ASSETS

Changes in capital assets consist of the following:

	Balance at July 1, 2010	Additions	Disposals	Balance at June 30, 2011
Capital assets:				
Leasehold improvements	\$ 76,373	\$ 20,759	\$ -	\$ 97,132
Furniture, fixtures and equipment	115,925	57,103	-	173,028
Audio visual equipment	1,968	-	-	1,968
Computers and peripherals	49,957	53,301	-	103,258
Total capital assets	<u>244,223</u>	<u>131,163</u>	<u>-</u>	<u>375,386</u>
Less accumulated depreciation:				
Leasehold improvements	2,546	5,617	-	8,163
Furniture, fixtures and equipment	8,280	19,601	-	27,881
Audio visual equipment	328	656	-	984
Computers and peripherals	8,326	25,536	-	33,862
Total accumulated depreciation	<u>19,480</u>	<u>51,410</u>	<u>-</u>	<u>70,890</u>
Total governmental activities capital assets, net	<u>\$ 224,743</u>	<u>\$ 79,753</u>	<u>\$ -</u>	<u>\$ 304,496</u>

Depreciation expense for the period ended June 30, 2011 was \$51,410 and is allocated in the Statement of Activities to instruction, instructional media services, school administration, and facilities acquisition and construction.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4 - CREDIT FACILITY

On October 29, 2009, the School entered into a credit facility with BridgeRock Capital Corporation, a related party (Note 6), in the amount of \$500,000. The effective date of the credit facility is November 1, 2009 and matures on October 31, 2012. The outstanding principal balance and accrued interest (9.75% per annum) are due at maturity. Under the terms of the credit facility, the School may make draws in increments of \$25,000 up to the facility amount. The balance drawn against the credit facility at June 30, 2011 was \$390,000. Total interest expense for the year then ended was approximately \$49,000.

NOTE 5 - FACILITY LEASE

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

<u>School Year</u>	<u>Future Commitments</u>
2011-2012	\$ 406,000
2012-2013	422,000
2013-2014	439,000
2014-2015	457,000
2015-2016	475,000
Thereafter	<u>4,553,000</u>
Total	<u>\$ 6,752,000</u>

Total rent expense for the year ended June 30, 2011 was approximately \$538,000.

NOTE 6 - RELATED PARTIES

BridgeRock is the provider of the credit facility (Note 4) to the School. During the year ended June 30, 2011, the School paid interest of approximately \$49,000.

In addition, the School leases its facilities (Note 5) from Palmetto KTP, a company related to BridgeRock by common ownership. During the year ended June 30, 2011, the School incurred rent expense of approximately \$501,000 with Palmetto KTP.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

NOTE 7 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; general liabilities; and natural disasters for which the School carries commercial liability insurance. There have been no claims against the policy during the fiscal year ended June 30, 2011.

Required Supplemental Information

ADVANCED LEARNING CHARTER SCHOOL
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET VS. ACTUAL - GENERAL FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual	Final
	Original	Final		Variance
Revenue				
FEFP	\$ 2,352,865	\$ 2,451,780	\$ 2,451,780	\$ -
Lunch Service	202,581	200,000	205,473	5,473
Before & After Care	62,784	120,000	93,633	(26,367)
Other Revenue	-	20,000	22,286	2,286
Gross Revenue	<u>2,618,230</u>	<u>2,791,780</u>	<u>2,773,172</u>	<u>(18,608)</u>
Expenditures				
Instructional	1,051,201	1,051,201	1,051,133	(68)
Instructional Media Services	-	-	110	110
Instruction & Curriculum Development Services	45,906	45,906	43,214	(2,692)
General Administration	647,071	647,071	608,499	(38,572)
School Administration	212,067	250,000	263,568	13,568
Facility Acquisition and Construction	19,680	19,680	18,218	(1,462)
Fiscal Services	60,000	60,000	60,000	-
Food Services	230,393	230,393	221,037	(9,356)
Operation of Plant	119,055	120,000	130,836	10,836
Maintenance of Plant	7,936	15,000	17,566	2,566
Community Services	31,385	80,000	90,616	10,616
Total Expenditures	<u>2,424,694</u>	<u>2,519,251</u>	<u>2,504,797</u>	<u>(14,454)</u>
Other Financing (Uses)				
Repayment of Credit Facility	-	-	(60,000)	(60,000)
Change in Fund Balance	193,536	272,529	208,375	(64,154)
Fund Balance at July 1, 2010	<u>(46,127)</u>	<u>(46,127)</u>	<u>(46,127)</u>	<u>-</u>
Fund Balance at June 30, 2011	<u>\$ 147,409</u>	<u>\$ 226,402</u>	<u>\$ 162,248</u>	<u>(64,154)</u>

See accompanying notes to required supplemental information.

ADVANCED LEARNING CHARTER SCHOOL
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET VS. ACTUAL – SPECIAL REVENUE FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual	Final
	Original	Final		Variance
Revenue				
CSP Grant	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Title 1	78,000	80,407	80,407	-
Total Revenue	153,000	155,407	155,407	-
Expenditures				
Instructional	172,530	174,937	174,937	-
Instructional Media Services	2,500	2,500	2,500	-
Instruction & Curriculum Development Services	6,644	6,644	6,644	-
General Administration	141	141	141	-
School Administration	5,046	5,046	5,046	-
Total Expenditures	186,861	189,268	189,268	-
Change in Fund Balance	(33,861)	(33,861)	(33,861)	-
Fund Balance at July 1, 2010	33,861	33,861	33,861	-
Fund Balance at June 30, 2011	\$ -	\$ -	\$ -	\$ -

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, 2011

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 budget by approximately \$14,000. This budget over-run was related primarily to the effect of straight-lining the facility lease as per generally accepted accounting principals.



CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANTS

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

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

We have audited the financial statements of Advanced Learning Charter School, Inc. (the "School") as of, and for the year ended June 30, 2011, and have issued our report thereon dated August 31, 2011. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the School in a separate letter dated August 31, 2011.

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, Aguerrebeu, Lueder & Torres P.L.

Coral Gables, Florida
August 31, 2011



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, 2011, and have issued our report thereon dated August 31, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters dated August 31, 2011, should be considered in conjunction with this management letter.

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

1. Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.
 - Corrective actions have been taken to address findings noted and recommendations noted during the preceding annual financial audit report, except as noted below under the heading "Status of Prior Year Findings and Recommendations."
2. Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we noted the following:
 - The School retains a limited supply of pre-signed checks for emergency purposes in the instance that the authorized signors are not available.
 - Currently, the School has a debit card for its internal fund which is maintained by the school Principal (NOT an authorized signor).

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 \$464,233 as of June 30, 2011. 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 unreserved deficit fund balance of \$464,233 as of June 30, 2011, the School has reduced its deficit by approximately \$204,000. The deficit fund balance is mainly attributed to various costs incurred associated with the start-up operations of a charter school during the previous school year. 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 \$111,000 in deferred rent that is not expected to begin repayment until July 2017.

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

Status of Prior Year Findings and Recommendations

Prior year finding 1: One board member did not complete the required governance training approved by the Florida Department of Education pursuant to Section 1002.33(9)(j).

- The board member has successfully completed the required governance training.

Prior year finding 2: The School tracks its fixed asset purchases and corresponding depreciation on excel.

- The School is still using excel to record its fixed asset purchases and calculate the corresponding depreciation. The School is continually searching for cost effective fixed asset systems to implement.

Prior year finding 3: The School has one authorized check signor with unlimited check signing authority. This individual also performed the monthly reconciliations for all bank accounts.

- The School has added an additional signor on the account; however, both signors have unlimited check signing authority. Additionally, monthly reconciliations continue to be performed by an authorized check signor.

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-Abreu, Guerebuen, Suarez & Torres P.L.

Certified Public Accountants
Coral Gables Florida
August 31, 2011

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S RESPONSE TO AUDIT FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

The following is the School's response to the items noted in the Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards and Management Letter dated August 31, 2011, as required by Rule 10.857, Rules of the Auditor General:

Finding 1

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

Response

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

Finding 2

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

Response

The pre-signed checks maintained at the School are housed in a locked drawer controlled by the School's Director. These checks are drawn on the School's Internal Fund, which maintains an average balance of less than \$40,000. We will add the School's Director as an authorized signor on the Internal Fund account and endeavor to maintain a balance of less than \$15,000 in the account. Pre-signed checks will no longer be maintained at the School once the School's Director is added as a signor.

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S RESPONSE TO AUDIT FINDINGS - CONTINUED
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Finding 3

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

Response

We have previously approached the School's bank about obtaining credit cards and determined that the best option at the time was to issue the School's Director a debit card. Debit card activity is monitored throughout the month by the School's Finance Director to ensure that debit card expenditures are within the budget. We will approach our bank again regarding the issuance of credit cards. Since the School now has several years of operating activity, the bank may now be willing to issue credit cards.