

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
JUNE 30, 2011**

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S.L.GARDNER & COMPANY, PA.
CERTIFIED PUBLIC ACCOUNTANTS ♦ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mount Hermon Community Education Corporation, Inc.
D/B/A Richard Allen Leadership Academy
Miami, Florida

We have audited the accompanying basic financial statements of the governmental activities and general fund of Mount Hermon Community Education Corporation, Inc. D/B/A Richard Allen Leadership Academy (the "Charter School"), a component unit of the Miami-Dade County District School Board, Miami, Florida, as of and for the year ended June 30, 2011, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions on these basic financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Charter School, 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.

INDEPENDENT AUDITORS' REPORT - Continued

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2011, on our consideration of the Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Steve L. Gardner, CPA
Miami, Florida
August 29, 2011

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2011**

As management of the Mount Hermon Community Education Corporation, Inc. D/B/A Richard Allen Leadership Academy (the "Charter School"), we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here through page 9 of this report.

Overview of the financial statements

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

Government-wide financial statements

The government-wide financial statements, which consist of the statement of net assets and the statement of activities, are designed to provide readers with a broad overview of the Charter School's finances, in a manner similar to a private sector business.

The statement of net assets provides information on all the Charter School's assets and liabilities, with the difference 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 Charter School is improving or deteriorating. However, as a governmental entity, the Charter School's activities are not geared towards generating profit as are the activities of commercial entities. Other factors such as the safety at the Charter School and quality of education, must be considered in order to reasonably assess the Charter School's overall performance.

The statement of activities presents information showing how the Charter 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.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2011**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School, like other state and local governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Charter School has only one category of funds – 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 the Charter School'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 for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Charter School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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.

Supplementary Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Charter School's adopted budget to actual results.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2011**

Government-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following table presents an analysis of the condensed government-wide statements of net assets:

	Net Assets as of June 30, 2011
Current assets	\$ 70,631
Noncurrent assets	
Capital assets, net of depreciation	52,612
Total assets	\$ 123,243
Current liabilities	\$ 54,790
Net Assets	
Invested in capital assets, net of related debt	\$ 52,612
Unrestricted	15,841
Total Net Assets	\$ 68,453

Current assets increased by \$35,925, from the prior year due to an increase in grants and contributions received. Capital assets and invested in capital assets decreased by \$15,817 due to a decrease in capital grant contributions. The Charter School's net assets reflect its investment in capital assets (e.g. buildings, building improvements, furniture, fixtures and equipment), net of related debt. The Charter School uses its capital assets to provide services to students. Consequently, these assets are not available for future spending.

Unrestricted assets increased 186% due to an increase in grants and contributions received.

Resources that are subject to external restrictions on how they may be used are classified as restricted assets. As of June 30, 2011, the Charter school had no restricted assets. The remaining unrestricted balance may be used in any of the Charter School's ongoing operations.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2011**

Government-wide financial analysis - Continued

The following table presents information on the condensed government-wide statements of changes in net assets:

		<u>2011</u>
Revenues:		
General revenues	\$	612,847
Program revenues:		
Charges for services		53,042
Operating grants and contributions		94,875
Capital grants and contributions		2,154
Total revenues		<u>762,918</u>
 Expenses:		
Instruction		295,951
Pupil personnel services		16,181
Instructional media services		26,626
Instructional staff training services		2,814
School administration		224,941
Fiscal services		11,783
Food services		48,043
Pupil transportation services		32,070
Operation of plant		61,822
Unallocated depreciation expense		17,971
Total expenses		<u>738,202</u>
 Change in net assets		 24,716
 Net assets, beginning		 <u>43,737</u>
Net assets, ending	\$	<u>68,453</u>

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2011**

Government-wide financial analysis - Continued

- General revenues increased primarily because of an increase in grants and contributions since the inceptions of the Charter school. Presently there are 99 Students in grades kindergarten to 5th grade; revenues are based on the amount received per student from the State through the School Board of Miami-Dade County.
- Charges for services are the result of revenues received for uniforms sales, meals receipt, after school and other services.
- Expenses for instruction are the result of teachers' salaries and related benefits.
- School administration is due primarily to management and supportive expenses.
- Expense for pupil transportation services is due to the transportation of students to and from school.
- Plant operations expenses consist of rent, utilities and insurance cost.
- Capital grant contributions revenue increased due to the Implementation Grant and Title I funds received.

Financial Analysis of the Charter School's Funds

As noted earlier, the Charter School uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The focus of the Charter School's governmental funds is to provide information on near-term inflows, outflows and spendable resources. Such information is useful in assessing the Charter School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Charter School's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2011 the Charter School's governmental fund reported a positive ending fund balance of \$21,341, this balance increased by 186%; this represents an improvement from the prior year.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2011**

Budgetary Highlights

The general fund's actual expenditures were approximately \$40,533 below the budgeted amounts. The Charter School's budget-to-actual report found on page 24 – 25 reflects significant positive variances in almost all categories.

Revenues available were approximately \$153,022 below the budgeted amount. Decrease in the projected amount of potential students along with a lower than expected revenues from grants and contributions caused this decrease. As a result, the Charter School has placed special emphasis in its fundraising efforts.

Capital Assets and Debt Administration

As of June 30, 2011 the Charter School had investment in capital assets of \$52,612. This amount is net of accumulated depreciation of \$37,238. Capital assets additions in the current year include new computers and furniture.

The Charter School has no outstanding debt.

Economic Factors

During fiscal year 2010, the Charter School experienced an increase in its net assets. (The 2010/2011 gain was approximately 186%). The major contributing factors were increases in grants and contributions. During the year the Charter School received additional funds from The Department of Education and Title I, these addition funds received during the fiscal year contributed to the positive increase to net assets.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2011**

School Enrollment

During the fiscal years June 30, 2011, the grade levels at the Charter School ranged from Grade K through Grade 5, with a total enrollment of 99 students.

Requests for Information

The financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the School's finances. Questions concerning any of the information should be addressed to Mr. Paul Wiggins, Executive Director, at 17800 NW 25th Street Miami Gardens, FL 33056.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**A CHARTER SCHOOL AND COMPONENT UNIT OF THE MIAMI-DADE
COUNTY DISTRICT SCHOOL BOARD**

BASIC FINANCIAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2011

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 17,011
Accounts receivable	44,332
Due from other agencies	7,063
Prepaid expenses	2,225
Furniture, fixtures and equipment, net	<u>52,612</u>
Total Assets	<u><u>\$ 123,243</u></u>
Liabilities	
Salaries and wages payable	\$ 3,708
Accounts payable	<u>51,082</u>
Total liabilities	<u>\$ 54,790</u>
Net Assets	
Invested in capital assets	\$ 52,612
Unrestricted	<u>15,841</u>
Total Net Assets	<u><u>\$ 68,453</u></u>

See accompanying notes to the basic financial statements

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**STATEMENT OF ACTIVITIES
JUNE 30, 2011**

Governmental activities	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction	\$ 295,951	\$ -	\$ 43,350	\$ -	\$ (252,601)
Pupil personnel services	16,181	44,160	-	2,154	30,133
Instructional media services	26,626	-	-	-	(26,626)
Instructional and curriculum development services	2,814	-	-	-	(2,814)
School administration	224,941	-	-	-	(224,941)
Fiscal services	11,783	-	-	-	(11,783)
Food services	48,043	8,882	12,700	-	(26,461)
Pupil transportation services	32,070	-	-	-	(32,070)
Operation of plant	61,822	-	38,825	-	(22,997)
Unallocated depreciation expense	17,971	-	-	-	(17,971)
Total governmental activities	\$ 738,202	\$ 53,042	\$ 94,875	\$ 2,154	\$ (588,131)

General revenues:

School Board of Miami- Dade County - FTE	612,847
Total general revenues	612,847
Change in net assets	24,716
Net assets - beginning	43,737
Net assets - ending	\$ 68,453

See accompanying notes to the basic financial statements

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**A CHARTER SCHOOL AND COMPONENT UNIT OF THE MIAMI-DADE
COUNTY DISTRICT SCHOOL BOARD**

FUND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2011**

	<u>General Fund</u>	
ASSETS		
Cash	\$	17,011
Accounts receivable		44,332
Due from other agencies		7,063
Prepaid expenses		<u>2,225</u>
Total Assets	\$	<u>70,631</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Salaries and wages payable	\$	3,708
Accounts payable and accrued expenses		<u>51,082</u>
Total liabilities	\$	<u>54,790</u>
 Fund Balances:		
Reserved for prepaid items	\$	2,225
Unreserved		<u>13,616</u>
Total fund balances		<u>15,841</u>
Total Liabilities and Fund Balances	\$	<u>70,631</u>
 Total fund balances- Governmental funds	 \$	 15,841
 Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	\$	89,850
Accumulated depreciation		<u>(37,238)</u> 52,612
Total net assets - governmental activities	\$	<u>68,453</u>

See accompanying notes to the basic financial statements

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE – GOVERNMENTAL FUND
JUNE 30, 2011**

	<u>General Fund</u>	
Revenues		
Miami-Dade County Public Schools	\$	658,351
Other grants		12,700
Other revenue		<u>91,867</u>
Total revenues		<u>762,918</u>
Expenditures		
Current:		
Instruction		295,951
Pupil personnel services		16,181
Instructional media Services		26,626
Instructional Staff training Services		2,814
School administration		224,941
Fiscal services		11,783
Food services		48,043
Pupil transportation services		32,070
Operation of plant		61,822
Capital outlay:		<u>2,154</u>
Total current expenditure		722,385
Excess of revenues over expenditures		40,533
Fund balance, beginning of year		(24,692)
Fund balance, end of year	\$	<u>15,841</u>
Total net changes in fund balance - governmental funds	\$	40,533
Amounts reported for governmental activities in the statement of Net assets are different because:		
Capital outlays are reported in governmental funds as expenditures however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Cost of capital assets purchased	\$	2,154
Provision for depreciation		<u>(17,971)</u> (15,817)
Change in net assets of governmental activities	\$	<u>24,716</u>

See accompanying notes to the basic financial statements

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND OPERATIONS

Nature of Operations

The Mount Hermon Community Education Corporation, Inc. (the “Charter School”) is a not-for-profit corporation, organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes. The Charter School operates under a Charter approved by its sponsor, the Miami-Dade County District School Board. The governing body of the Charter School is the not-for-profit corporation’s Board of Directors which is composed of seven (7) members.

The Charter School provides educational services to students in grades kindergarten through fifth. The core philosophy and purpose of the Charter School is to demonstrate that the Charter School’s students can learn at high levels through an academically rigorous and innovative curriculum that incorporates the development of good character.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity:

The Charter School operates under a charter of the sponsoring school district, Miami-Dade County District School Board (the “District”). The current charter is effective until June 30, 2018, and may be renewed in increments of 5 to 15 years by mutual agreement between the Charter School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the Charter School in writing at least 90 days prior to the Charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The Mount Hermon Community Education Corporation, Inc. D/B/A Richard Allen Leadership Academy is considered a component unit of the Miami-Dade County District School Board.

Criteria of determining if other entities are potential component units which should be reported within the Charter School’s financial statements are identified and described in the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the Charter School is financially accountable and other organizations for which the nature and significance of their relationship with the

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Charter School is such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Charter School.

Basis of presentation:

Based on the guidance provided in the American Institute of Certified Public accountants Audit and Accounting Guide – Audit for States and Local Governments and provisions of Florida Statutes, the Charter School is presented as a governmental organization for financial statement reporting purposes.

Government-wide financial statement:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the Charter School. The effect of interfund activity, generally, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) operating grants and contributions that are used to meet the operational requirements of a particular function or program, and 2) capital grants and contributions that are restricted to meeting the capital requirements of a particular function or program.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund financial statements:

The Charter School accounts are organized on the basis of funds. The operations of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures.

Measurement focus, basis of accounting:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statement use the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

The governmental fund financial statement are presented on the modified accrual basis of accounting under which revenues is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within two months of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred.

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

Capital assets

Capital assets, which include land, buildings, building improvements, furniture and fixtures, equipment and library books are reported in the applicable governmental activities in the government-wide financial statements. Capital assets are defined by the Charter School as assets with an initial, individual cost of more than \$500 and a life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Donated capital assets, if any, are recorded at estimated fair value at the date of donation.

Capital assets, which include equipment acquired with state shared revenues, are reported in the government-wide financial statements.

Depreciation on equipment is provided on the straight-line basis over the respective estimated useful lives ranging from 3 to 5 years.

Within governmental funds, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported within the governmental fund financial statements.

Unearned/deferred revenues:

Resources that do not meet revenues recognition requirements (not earned) are recorded as unearned revenues in the government-wide and the fund financial statements. In addition, amounts related to governmental fund receivables that are measurable, but not available (not received within 90 days from fiscal year end), are recorded as deferred revenues in the governmental fund financial statements.

Equity classifications:

Government-wide financial statement

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on their use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation. There are no restricted net assets.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund financial statements

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances represent commitments relating to unperformed contracts for goods or services. At June 30, 2011, there were no encumbrances outstanding.

State funding (primary source of revenue):

Student funding is provided by the State of Florida through the School Board of Miami-Dade County, Florida. Such funding is recorded as FTE nonspecific revenue. In accordance with the Charter Agreement, the School Board retains 5% as an administrative fee. This funding is received on a pro rata basis over the twelve-month period and is adjusted for changes in full-time equivalent student population. After review and verification of Full-Time Equivalent ("FTE") reports and supporting documentation, the Florida Department of Education may adjust subsequent fiscal period allocations of FTE funding for prior year's errors disclosed by its review as well as to prevent the statewide allocation from exceeding the amount authorized by the State Legislature. Normally, such adjustments are reported in the year the adjustments are made.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - CASH AND CERTIFICATE OF DEPOSIT

As of June 30, 2011, and the bank balance was \$17,850. The bank balance did not exceed the FDIC limit as of June 30, 2011.

The Charter School is operated under a Charter sponsored by the Miami-Dade County School District as described in Note 1. Accordingly, its bank deposits are governed by Chapter 280 of the Florida Statutes. All time and demand deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act", the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral having a market value equal to an amount from 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held.

The percentage of eligible collateral (generally, U.S. Government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its financial condition. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. Therefore, all cash deposits in an approved Florida banking institution are both collateralized and insured and not subject to a concentration of credit risk or a custodial credit risk as defined in Government Accounting Standards Board ("GASB") Statement No. 40. The Charter School has no monetary assets other than cash in an approved depository.

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Furniture, Fixtures, and Equipment	87,696	\$ 2,154	-	\$ 89,850
	<u>87,696</u>	<u>2,154</u>	<u>-</u>	<u>89,850</u>
Less: Accumulated Depreciation	19,267	17,971	-	37,238
	<u>19,267</u>	<u>17,971</u>	<u>-</u>	<u>37,238</u>
Total	<u>68,429</u>	<u>\$ (15,817)</u>	<u>-</u>	<u>\$ 52,612</u>

The provision for depreciation for the year ended June 30, 2011 amounted to \$17,971. The Charter School allocated depreciation to instruction services.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Charter School's operations are located at a facility that is owned by the Mount Hermon AME Church. The Charter School is leasing its premises from the Mount Hermon AME Church, which expired on June 30, 2011, but was renewed for an additional two years. The lease would automatically renew each additional year as long as the Charter School operates pursuant to the Charter issued by the School Board of Miami-Dade County. Total fees paid to Mount Hermon AME Church for the fiscal year 2000/10 were approximately \$ 16,000. Future minimum lease payments are approximately \$60,000 for the next five years.

NOTE 6 – RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts, thefts of damage to and destruction of assets, errors and omissions and natural disasters for which the Church carried commercial insurance.

SUPPLEMENTARY INFORMATION

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

**BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variances Positive (Negative)
Revenues:				
FTE nonspecific revenues	\$ 722,040	\$ 722,040	\$ 612,847	\$ (109,193)
Operating grants and contributions	168,900	168,900	97,029	(71,871)
Charges for services	25,000	25,000	53,042	28,042
Total revenues	915,940	915,940	762,918	(153,022)
Salaries & benefits	565,443	565,443	520,892	44,551
Professional services	72,130	72,130	35,812	36,318
Rent	72,000	72,000	16,000	56,000
Food services	51,000	51,000	48,043	2,957
Student transportation	50,800	50,800	32,070	18,730
Management fee	38,352	38,352	-	38,352
Educational supplies	26,065	26,065	26,626	(561)
Professional development	16,670	16,670	9,512	7,158
Insurance	8,000	8,000	8,791	(791)
Office expenses	5,756	5,756	16,181	(10,425)
Telecommunications	3,900	3,900	1,237	2,663
Equipment rental & maintenance	2,200	2,200	1,607	593
Advertising	2,124	2,124	3,460	(1,336)
Utilities	1,500	1,500	-	1,500
Capital outlay	-	-	2,154	(2,154)
Total expenditure	915,940	915,940	722,385	193,555
Excess of revenues over expenditures	\$ -	\$ -	\$ 40,533	\$ 40,533

**MOUNT HERMON COMMUNITY EDUCATION CORPORATION, INC.
D/B/A RICHARD ALLEN LEADERSHIP ACADEMY**

NOTES TO SUPPLEMENTARY INFORMATION

NOTE A.

The Charter School formally adopted a budget for the year ended June 30, 2011. Budgeted amounts may be amended by resolution or ordinance by the Board. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of the actual results of operations to the budgeted amounts for the General Fund is presented as supplementary information.

NOTE B.

The budget is adopted using the same basis of accounting on which the financial statements are prepared also included is a 5% administrative charge that is retained by the School Board of Miami-Dade County. This amount is reflected on the Charter School's budget, for fiscal year 2010/2011 this amount was approximately \$33,000.

S.L.GARDNER & COMPANY, PA.
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
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
Mount Hermon Community Education Corporation, Inc.
D/B/A Richard Allen Leadership Academy
Miami, Florida

We have audited the basic financial statements of the governmental activities and each major fund of Mount Hermon Community Education Corporation, Inc. D/B/A Richard Allen Leadership Academy (the "Charter School"), a component unit of the Miami-Dade County District School Board, as of and for the year ended June 30, 2011, and have issued our report thereon dated August 29, 2011. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Charter School's internal control over financial reporting as a basis for designing our auditing procedures of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 affect the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by ht entity'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 entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the paragraph of this section and would not necessarily identified 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 Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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*.

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

Steve L. Gardner, CPA
Miami, Florida
August 29, 2011

S.L.GARDNER & COMPANY, PA.
CERTIFIED PUBLIC ACCOUNTANTS ♦ BUSINESS CONSULTANTS

**MANAGEMENT LETTER
REQUIRED BY CHAPTER 10.850 RULES OF THE AUDITOR GENERAL OF
THE STATE OF FLORIDA**

To the Honorable Board of Directors
Mount Hermon Community Education Corporation, Inc.
D/B/A Richard Allen Leadership Academy
Miami, Florida

We have audited the financial statements of the Mount Hermon Community Education Corporation, Inc. D/B/A Richard Allen Leadership Academy (the "Charter School"), Florida, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated August 29, 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. Disclosures in that report, which is dated August 29, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provision of Chapter 10.850, Rules of the Auditor General, which governs the conduct of Charter School and similar entities audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

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. There were no findings or recommendations in the preceding annual financial audit report.

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 did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contract 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.

Section 10.854(1) (e) 5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

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 The Richard Allen Leadership Academy.

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 Richard Allen Leadership Academy did not meet any of the conditions described in Section 218.503(1), Florida statutes.

Pursuant to Section 10.854(1) (e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial assessment procedures. It is management's responsibility to monitor the Richard Allen Leadership Academy's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Steve L. Gardner, CPA
Miami, Florida
August 29, 2011