

**MATER ACADEMY CHARTER  
HIGH SCHOOL**  
(A Charter School Under Mater Academy, Inc.)  
HIALEAH GARDENS, FLORIDA

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2006

MANAGEMENT AND  
INDEPENDENT AUDITORS  
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AND FINANCIAL STATEMENTS

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**MATER ACADEMY CHARTER HIGH SCHOOL**

(A Charter School Under Mater Academy, Inc.)

7901 N.W. 103<sup>rd</sup> Street

Hialeah Gardens, Florida 33016

(305) 828-1886

**2005-2006**

**BOARD OF DIRECTORS**

David Concepción, Chairman

Greta Santos

Shannine Sadesky

Dr. Ruth Jacoby

Antonio Roca, Esq

**SCHOOL ADMINISTRATION**

Judith Marty, Principal

Rufus Samkin, Assistant Principal

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Mater Academy Charter High School, (A Charter School Under Mater Academy, Inc.), (the "School") a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the School's financial statements and, in our report dated August 19, 2005, we expressed unqualified opinions on the respective financial statements of the governmental activities and the general fund.

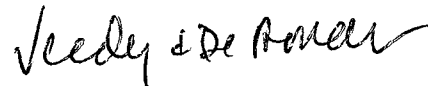
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Mater Academy Charter High School, as of June 30, 2006 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 25, 2006, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 4 through 8 and the Schedules of Revenues, Expenditures and Changes in Fund Balance—budget to actual on page 22 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mater Academy Charter High School basic financial statements. The accompanying schedule of expenditures of federal amounts is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Mater Academy Charter High School. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 25, 2006

**Management's Discussion and Analysis**  
Mater Academy Charter High School  
(A Charter School under Mater Academy, Inc.)  
June 30, 2006

The corporate officers of the Mater Academy Charter High School (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2006.

**Financial Highlights**

1. The assets of the School exceeded its liabilities at June 30, 2006 by \$3,722,779 (net assets).
2. At year-end, the School had current assets on hand of \$2,819,108.
3. The net assets of the School increased by \$1,350,436 during the year.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2006 are presented under GASB 34. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

*Government-Wide Financial Statements*

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

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

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

The government-wide financial statements can be found on pages 9 - 10 of this report.

*Fund Financial Statements*

A “fund” is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government’s requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School’s budget.

The basic governmental fund financial statements can be found on pages 11 - 14 of this report.

*Notes to Financial Statements*

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 15 - 20 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Assets exceeded liabilities by \$3,722,779, at the close of the fiscal year. As noted earlier, net assets may serve over time as a useful indicator of a charter school’s financial position. A summary of the School’s net assets as of June 30, 2006 and 2005 follows:

	<u>2006</u>	<u>2005</u>
Cash	\$2,559,459	\$1,834,935
Accounts Receivable	2,983	67,501
Due from Other Agencies	168,048	89,500
Prepaid Expenses	94,584	-
Deposits	1,396	83,378
Capital Assets	<u>1,144,820</u>	<u>519,947</u>
Total Assets	<u>\$3,971,290</u>	<u>\$2,595,261</u>
Accounts Payable and Accrued Liabilities	\$ 218,264	\$ 213,739
Capital Lease Payable	<u>30,247</u>	<u>9,179</u>
Total Liabilities	<u>\$ 248,511</u>	<u>\$ 222,918</u>
Invested in Capital Assets, net of related debt	\$ 1,114,573	\$ 510,768
Unrestricted	<u>2,608,206</u>	<u>1,861,575</u>
Total Net Assets	<u>\$ 3,722,779</u>	<u>\$2,372,343</u>

At the end of the fiscal year, the School is able to report positive balances in total net assets.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2006 and 2005 follows:

	<u>2006</u>	<u>2005</u>
<b>REVENUES</b>		
Program Revenues		
Operating Grants and Contributions	\$ 294,384	\$ -
Capital Outlay Funding	860,479	674,012
General Revenues		
Government Grants Not Restricted to Specific Programs	6,658,327	4,906,162
Charges for Services	704,683	627,161
Miscellaneous	<u>58,788</u>	<u>77,875</u>
Total Revenues	<u>\$ 8,576,661</u>	<u>\$6,285,210</u>
<b>EXPENSES</b>		
Component Unit Activities:		
Instruction	\$ 3,661,594	\$2,312,910
Pupil Personnel Services	-	-
Instruction and Curriculum		
Development Services	350	283
Instructional Staff Training Services	19,657	5,206
Board	23,102	3,905
School Administration	713,489	457,656
Facilities Acquisition and Construction	8,988	-
Fiscal Services	174,487	139,988
Food Services	584,871	603,961
Central Services	183,268	149,447
Pupil Transportation Services	12,633	4,198
Operation of Plant	1,705,276	1,331,528
Maintenance of Plant	137,910	102,267
Interest	<u>600</u>	<u>298</u>
Total Expenses	<u>\$7,226,225</u>	<u>\$5,111,647</u>
Increase in Net Assets	1,350,436	1,173,563
Net Assets at Beginning of Year	<u>2,372,343</u>	<u>1,198,780</u>
Net Assets at End of Year	<u>\$3,722,779</u>	<u>\$2,372,343</u>

Mater Academy Charter High School's revenue increased by \$2,291,451 in the current year primarily due to an increase in Government grants. The School also had an increase of expenses for the year of \$2,114,578. The largest increases in expenses were for Instruction, School Administration and Operation of Plant. The financial position of the School has improved during the current year. In addition, the School increased its cash by \$757,855 and had a large increase in Capital Assets. The School had an increase in its fund balance (change in net assets) of \$1,350,436 for the year.

#### **Lease of Facility**

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



**Articulation Agreement**

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

**Capital Improvement Requirements**

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

**Accomplishments**

In 2006, Mater Academy High School ranked among the top fifteen high schools in Miami-Dade County. The school earned a letter grade of “B” during the 2005-2006 school year from the State of Florida Department of Education, and made provisional Adequate Yearly Progress under *No Child Left Behind*. In addition, Mater High received a stellar review from the accreditation committee of the Southern Association of Colleges and Schools.

**FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUND**

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

**Governmental Funds**

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

At the end of the fiscal year, the School’s governmental fund reported a fund balance of \$2,608,206.

**Capital Assets**

The School’s investment in capital assets as of June 30, 2006 amounts to \$1,144,820 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment.

**General Fund Budget Analysis and Highlights**

Prior to the start of the School’s fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School’s budget.

	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Program Revenues			
Operating Grants and Contributions	\$ -	\$ 250,000	\$ 294,384
Capital Outlay Funding	700,105	850,000	860,479
General Revenues			
Government Grants Not Restricted to Specific Programs	5,615,300	6,600,000	6,658,327
Charges for Services	600,000	600,000	704,683
Miscellaneous	-	-	58,788
Total Revenues	<u>\$ 6,915,405</u>	<u>\$ 8,300,000</u>	<u>\$ 8,576,661</u>
<b>EXPENSES</b>			
Component Unit Activities:			
Instruction	\$ 3,350,000	\$ 3,830,250	\$ 3,661,594
Instruction and Curriculum			
Development Services	50	500	350
Instructional Staff Training Services	25,000	23,500	19,657
Board	25,000	25,000	23,102
School Administration	460,950	781,550	713,489
Facilities Acquisition and Construction	10,000	10,000	8,988
Fiscal Services	200,000	200,000	174,487
Food Services	560,400	609,500	584,871
Central Services	200,000	200,000	183,268
Pupil Transportation Services	15,000	15,000	12,633
Operation of Plant	1,270,000	1,845,000	1,705,276
Maintenance of Plant	150,000	150,100	137,910
Interest	1,000	600	600
Total Expenses	<u>\$ 6,267,400</u>	<u>\$ 7,691,000</u>	<u>\$ 7,226,225</u>

**Requests for Information**

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC (f/k/a Academica, Corp.) 6255 Bird Road, Miami, Florida, 33155.

**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)**  
**A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	<u>2006</u>	<u>2005</u>
		<b>(Summarized Comparative Information)</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 2,559,459	\$ 1,834,935
Accounts receivable, no allowance necessary	2,983	2,745
Due from other agencies	168,048	154,256
Prepaid expenses	94,584	-
TOTAL CURRENT ASSETS	<u>2,825,074</u>	<u>1,991,936</u>
<b>CAPITAL ASSETS</b>		
Buildings and fixed equipment	173,790	168,996
Less accumulated depreciation	(112,607)	(94,621)
Furniture, equipment and textbooks	1,381,024	557,800
Less accumulated depreciation	(316,720)	(126,612)
Audiovisual materials	5,511	2,987
Less accumulated depreciation	(1,746)	(896)
Computer software	26,284	15,967
Less accumulated depreciation	(10,716)	(3,674)
	<u>1,144,820</u>	<u>519,947</u>
<b>DEPOSITS</b>	<u>1,396</u>	<u>83,378</u>
TOTAL ASSETS	<u>\$ 3,971,290</u>	<u>\$ 2,595,261</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Salaries and wages payable	\$ 173,899	\$ 200,437
Accounts payable	44,365	13,302
Deferred revenue	-	-
Capital lease payable, current portion	29,267	2,928
TOTAL CURRENT LIABILITIES	<u>247,531</u>	<u>216,667</u>
Capital lease payable	980	6,251
TOTAL LIABILITIES	<u>248,511</u>	<u>222,918</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,114,573	510,768
Unrestricted	2,608,206	1,861,575
TOTAL NET ASSETS	<u>3,722,779</u>	<u>2,372,343</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,971,290</u>	<u>\$ 2,595,261</u>

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

MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)  
A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY  
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS	2006				2005	
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Component Unit Activities:</b>						
Instruction	\$ 3,661,594	\$ -	\$ 294,384	\$ -	\$ (3,367,210)	\$ (2,312,910)
Pupil Personnel Services	-	-	-	-	-	-
Instruction and Curriculum Development Services	350	-	-	-	(350)	(283)
Instructional Staff Training Services	19,657	-	-	-	(19,657)	(5,206)
Board	23,102	-	-	-	(23,102)	(3,905)
School Administration	713,489	-	-	-	(713,489)	(457,656)
Facilities Acquisition and Construction	8,988	-	-	-	(8,988)	-
Fiscal Services	174,487	-	-	-	(174,487)	(139,988)
Food Services	584,871	704,683	-	-	119,812	23,200
Central Services	183,268	-	-	-	(183,268)	(149,447)
Pupil Transportation Services	12,633	-	-	-	(12,633)	(4,198)
Operation of Plant	1,705,276	-	-	860,479	(844,797)	(657,516)
Maintenance of Plant	137,910	-	-	-	(137,910)	(102,267)
Interest on Long-term Debt	600	-	-	-	(600)	(298)
<b>Total Component Unit Activities</b>	<u>7,226,225</u>	<u>704,683</u>	<u>294,384</u>	<u>860,479</u>	<u>(5,366,679)</u>	<u>(3,810,474)</u>
GENERAL REVENUES:						
					6,658,327	4,906,162
					58,788	77,875
					<u>1,350,436</u>	<u>1,173,563</u>
					2,372,343	1,198,780
					<u>\$ 3,722,779</u>	<u>\$ 2,372,343</u>

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

**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)**  
**A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY**  
**BALANCE SHEET**  
**JUNE 30, 2006**

	2006			2005	
	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds	(Summarized Comparative Information)
<b>ASSETS</b>					
Cash	\$ 2,559,459	\$ -	\$ -	\$ 2,559,459	\$ 1,834,935
Accounts receivable, no allowance necessary	2,983	-	-	2,983	2,745
Due from other agencies	2,300	-	165,748	168,048	154,256
Prepaid expenses	94,584	-	-	94,584	-
Deposits	1,396	-	-	1,396	83,378
Due to / from funds	165,748	-	(165,748)	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,826,470</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,826,470</b>	<b>\$ 2,075,314</b>
<b>LIABILITIES</b>					
Salaries and wages payable	\$ 173,899	\$ -	\$ -	\$ 173,899	\$ 200,437
Accounts payable	44,365	-	-	44,365	13,302
Deposits payable	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>218,264</b>	<b>-</b>	<b>-</b>	<b>218,264</b>	<b>213,739</b>
<b>FUND BALANCE</b>					
Unreserved	2,608,206	-	-	2,608,206	1,861,575
<b>TOTAL FUND BALANCE</b>	<b>2,608,206</b>	<b>-</b>	<b>-</b>	<b>2,608,206</b>	<b>1,861,575</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,826,470</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,826,470</b>	<b>\$ 2,075,314</b>

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

**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)**  
**A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

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Total Fund Balance - Governmental Funds	\$ 2,608,206
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets of \$1,586,609, net of accumulated depreciation of \$441,789 used in governmental activities are not financial resources and therefore are not reported in the fund.	1,144,820
Long term debt, of \$30,247, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(30,247)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 3,722,779</u></u>

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

**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)**  
**A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	2006			Total Governmental Funds	2005 (Summarized Comparative Information)
	General Fund	Special Revenue Fund	Capital Projects Fund		
<b>REVENUES</b>					
Capital outlay funding	-	-	860,479	860,479	\$ 674,012
Federal grants	-	294,384	-	294,384	-
Local Sources	6,658,327	-	-	6,658,327	4,906,162
Charges for services	-	704,683	-	704,683	627,161
Other revenues	58,788	-	-	58,788	77,875
<b>Total Revenues</b>	<b>6,717,115</b>	<b>999,067</b>	<b>860,479</b>	<b>8,576,661</b>	<b>\$ 6,285,210</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Instruction	3,189,685	294,384	-	3,484,069	\$ 2,276,424
Pupil Personnel Services	-	-	-	-	-
Instruction and Curriculum Development Services	-	-	-	-	349
Instructional Staff Training Services	19,657	-	-	19,657	5,140
Board	23,102	-	-	23,102	3,905
School Administration	497,926	215,563	-	713,489	454,916
Fiscal Services	174,488	-	-	174,488	139,988
Food Services	-	578,456	-	578,456	599,940
Central Services	183,268	-	-	183,268	149,447
Pupil Transportation Services	12,633	-	-	12,633	4,198
Operation of Plant	825,616	-	860,479	1,686,095	1,319,197
Maintenance of Plant	134,382	-	-	134,382	101,435
<b>Capital Outlay:</b>					
Other Capital Outlay	840,859	-	-	840,859	295,800
<b>Debt Service:</b>					
Redemption of Principal	9,179	-	-	9,179	3,501
Interest	600	-	-	600	298
<b>Total Expenditures</b>	<b>5,911,395</b>	<b>1,088,403</b>	<b>860,479</b>	<b>7,860,277</b>	<b>5,354,538</b>
Excess (Deficiency) of Revenues Over Expenditures	805,720	(89,336)	-	716,384	930,672
<b>OTHER FINANCING SOURCES</b>	<b>30,247</b>	<b>-</b>	<b>-</b>	<b>30,247</b>	<b>12,680</b>
Net change in fund balance	835,967	(89,336)	-	746,631	943,352
Fund Balance at beginning of year	1,772,239	89,336	-	1,861,575	918,223
<b>Fund Balance at end of year</b>	<b>2,608,206</b>	<b>-</b>	<b>-</b>	<b>2,608,206</b>	<b>\$ 1,861,575</b>

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

**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)  
A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

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Change in Fund Balance - Governmental Funds \$ 746,631

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

Governmental funds report 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 \$840,859 exceed depreciation expense of \$215,986 in the current period.

624,873

The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds of \$30,247 exceeded repayments of \$9,179 in the current period.

(21,068)

Change in Net Assets of Governmental Activities

\$ 1,350,436

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



**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 1 – ORGANIZATION AND OPERATIONS**

Mater Academy Charter High School (A Charter School Under Mater Academy, Inc.) (the "School"), is a not-for-profit charter school located in Hialeah Gardens, Florida for children from ninth through twelfth grade. The School operates under a charter granted by the sponsoring district, the Miami-Dade County Public School District (the "District"). The current charter is effective until June 30, 2012 and may be renewed for an additional 15 years by mutual written agreement between the School and the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of such District. Mater Academy Charter High School is funded by the Miami-Dade County Public School District and in addition, receives government grants.

These financial statements are for the year ended June 30, 2006, when 1,164 students were enrolled for the school year.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-wide and Fund Financial Statements**

*Government-wide Financial Statements*

The government-wide financial statements include the statement of net assets and the statement of activities and changes in net assets. These statements report information for the School as a whole.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements*

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds, namely, the general, special revenue funds and capital project are reported as separate columns in the fund financial statements:

General Fund - is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

Special Revenue Fund - accounts for specific revenue, such as federal grants, that is legally restricted to expenditures for particular purposes.

Capital Projects Fund - accounts for funds received from the Public Education Outlay program, which are used for the rent of facilities and other allowable capital expenditures.

**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from non-exchange transactions are reported according to Governmental Accounting Standards Board (GASB) Statement No. 33 Accounting and Financial Reporting for Non-Exchange Transactions, as amended by GASB Statement No. 36 Recipient Reporting for Certain Shared Non-Exchange Revenues, they include grants and donations. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

**Budgetary Basis Accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay).

Cash

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less.

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Other Assets

Other assets consist mainly of prepaid expenses or deposits, which are paid upon the receipt of the goods or services that were received but not consumed at year end. The expenditure will be recorded when the asset is used.

Long-term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities. Long term liabilities are due in more than one year.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Financing costs are reported as expenditures.

**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets, Depreciation and Amortization

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net assets in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The School generally capitalizes assets with cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Building and Fixed Equipment	10-20 Years
Furniture, Equipment and Textbooks	5 Years
Computer Software	3 Years
Audiovisual Materials	5 Years

Revenue Sources

Revenues for operations will be received primarily from the Miami-Dade County District School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. In addition, the School receives an annual allocation of charter school capital outlay funds for leasing of school facilities.

Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended.

Compensated Absences

The School grants a specific number of days of vacation/sick/personal leave. Full time instructional employees are eligible for one day per month up to ten days of active work during the ten month period. Employees and administrators wishing to carry forward unused vacation days, at year-end, may do so. The employee can only cash out if they have used three days or less of their vacation days in that school year. The employees cannot cash out more than ten days per school year and are required to always maintain a minimum of ten days unused vacation. The cash out value is eighty percent of their daily rate.

Government Accounting Standards Board (GASB) Statement 16, Accounting for Compensated Absences, requires governmental agencies to record as a liability the vested and future rights to sick and/or vacation leave. Accordingly, the financial statements include an accrual for such vested rights.

**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transactions with Affiliates

The School has been granted a Charter by the sponsoring district and operates and reports under that charter. However, the School may be part of a corporation which includes several other charter schools. These financial statements report the financial condition and operations of the charter school only and not of the corporation. In the normal course of its business, the School may transact with other affiliated charter schools that are part of the corporation including the sharing of facilities and expenses. See notes in these financial statements as to transactions with other schools and operating leases and other commitments.

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 disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the June 30, 2005 financial statements have been reclassified to conform to the June 30, 2006 presentation

Agency Funds

Agency funds account for assets held by the School in a custodial capacity. The reporting entity includes one agency fund. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency fund is a School Activities Fund. It accounts for monies collected and spent resulting from student activities at the School site level such as athletics, music, clubs and other similar fundraising activities. (See Note 12)

NOTE 3 – INCOME TAXES

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

NOTE 4 – DUE FROM AGENCIES

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

FTE	\$ 2,000
Capital Outlay	<u>166,048</u>
	<u>\$ 168,048</u>

**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 5 – CHANGES IN CAPITAL ASSETS**

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2006:

	Balance 07/01/05	Additions	Retirements	Balance 06/30/06
Capital Assets				
Building and Fixed Equipment	\$ 168,996	\$ 4,794	\$ -	\$ 173,790
Furniture, Equipment and Textbooks	557,800	823,224	-	1,381,024
Audiovisual Materials	2,987	2,524	-	5,511
Computer Software	<u>15,967</u>	<u>10,317</u>	<u>-</u>	<u>26,284</u>
Total Capital Assets	745,750	840,859	-	1,586,609
Less Accumulated Depreciation				
Building and Fixed Equipment	( 94,621)	( 17,986)	-	( 112,607)
Furniture, Equipment and Textbooks	( 126,612)	( 190,107)	-	( 316,720)
Audiovisual Materials	( 896)	( 850)	-	( 1,746)
Computer Software	<u>( 3,674)</u>	<u>( 7,042)</u>	<u>-</u>	<u>( 10,716)</u>
Total Accumulated Depreciation	<u>( 225,803)</u>	<u>( 215,986)</u>	<u>-</u>	<u>( 441,789)</u>
Capital Assets, net	<u>\$ 519,947</u>	<u>\$ 624,873</u>	<u>\$ -</u>	<u>\$ 1,144,820</u>

Depreciation expense for the year ended June 30, 2006 was \$215,986 and is allocated to various functions in the Statement of Activities.

**NOTE 6 – ORGANIZATION’S MANAGEMENT**

The School has entered into an agreement with Academica Dade, LLC (f/k/a Academica, Corp.), a professional charter school management company, to provide management and administrative services to the School. In providing management services to the School, officers of the management company may not serve as members of the Board of Directors of a school. The contract calls for a fee of \$450 per student per year and expires on the same expiration date of the School’s charter. During the year ended June 30, 2006, the School incurred \$523,463, in management fees, of which no amounts were due to the management company at year end.

Academica Dade, LLC (f/k/a Academica, Corp.) is located at 6255 Bird Road, Miami, Florida 33155 as of June 30, 2006 its officers are:

Fernando Zulueta, President  
Magdalena Fresen, Vice President, Treasurer  
Amy Nunez, Secretary

**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 7 – LONG-TERM DEBT**

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

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

	Balance 7/1/05	Additions	Deletions	Balance 6/30/06
Capital Lease Payable	<u>\$ 9,179</u>	<u>\$ 21,068</u>	<u>\$ -</u>	<u>\$ 30,247</u>

The following are current maturities under the capital leases payable:

2007	29,267
2008	980

**NOTE 8 – COMMITMENTS UNDER OPERATING LEASES AND CONTRACTS**

The School entered into an amended lease agreement with School Development H G II, LLC, as landlord, on April 2004 for its main campus which is shared with another charter school under Mater Academy, Inc. The payments for this lease are allocated 52% to the School and 48% to the other charter school. Annual total payments are approximately \$1,155,000 adjusted annually based on the Consumer Price Index (CPI) and continue through August 2024 with an option to renew for an additional five-year term.

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

At the time the lease was signed, Fernando Zulueta (See Note 6) was concluding his service as President of the School. Although the landlord is represented by a relative of Mr. Zulueta, neither Mr. Zulueta or that relative voted in the School's decision to enter into the lease, which was approved by the School's independent Board of Directors. Neither Mr. Zulueta or his relative were on the Board of Directors at the time, and neither Mr. Zulueta or his relative had a direct or indirect interest in the landlord.

The School also leases various office equipment with monthly payments ranging from \$128 to \$508 through 2008. Total rental payments for the year ended June 30, 2006 were approximately \$1,155,000.

Future minimum payments under the operating leases are as follows:

<u>Fiscal Years</u>	
2007	1,202,679
2008	1,119,179
2009	1,194,375
2010	1,194,375
2011	1,194,375
2012-2016	5,971,875
2016-2020	5,971,875
2022-2024	5,971,875

**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 9 – DEPOSITS POLICY AND CREDIT RISK**

It is the School's policy to maintain its cash and cash equivalents in major banks and in high grade investments.

As of June 30, 2006, the carrying amount of the School's deposits was \$2,559,459 and the respective bank balances totaled \$2,559,459. Out of the total bank balances, \$140,206 was covered by the Federal Depository Insurance Corporation (FDIC). The remaining was partially collateralized by U.S. Government obligations under a repurchase agreement with Wachovia Bank.

**NOTE 10 – TRANSACTIONS WITH OTHER AFFILIATED SCHOOLS**

The School's facility is shared with Mater Academy Charter Middle School (See Note 8). Management allocates a proportionate share of leases, equipment, salaries and other expenses to each school individually based on student enrollment and usage of facilities and staff. In addition, the principal and assistant principal of the School also serve on the Board of affiliated Schools.

**NOTE 11 – GRANTS**

In the normal course of operations, the School receives grant funds from various federal, state and local agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not reflected in these financial statements.

**NOTE 12 – STATEMENT OF NET ASSETS – AGENCY FUND**

As indicated in Note 2, the School accounts for monies resulting from student activities as follows:

Assets:	
Cash	\$ 33,331
Liabilities:	
Due to student groups	\$ 33,331

**NOTE 13 – CONTINGENCIES**

Miami-Dade County Public Schools is in the process of conducting an audit of Mater Academy Charter High School and Middle School. The School is cooperating fully with the audit and believes that there will be no negative consequences as a result thereof.

The School carries comprehensive liability insurance for claims that may arise in the regular course of business. At the present time, management believes that any claims the school may have are insured and that any expense associated therewith will not materially affect the financial position of the School.

REQUIRED SUPPLEMENTARY INFORMATION



MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)  
A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Funds		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Operating Grants and Contributions	\$ -	\$ 250,000	\$ 294,384
Capital Outlays and Contributions	700,105	850,000	860,479
General Revenues			
Government Grants Not Restricted to			
Specific Programs	5,615,300	6,600,000	6,658,327
Charges for Services	600,000	600,000	704,683
Miscellaneous	-	-	58,788
TOTAL REVENUES	<u>\$ 6,915,405</u>	<u>\$ 8,300,000</u>	<u>\$ 8,576,661</u>
EXPENDITURES			
Component Unit Activities:			
Instruction	\$ 3,350,000	\$ 3,830,250	\$ 3,661,594
Instruction and Curriculum			
Development Services	50	500	350
Instruction Staff Training Services	25,000	23,500	19,657
Board	25,000	25,000	23,102
School Administration	460,950	781,550	713,489
Facilitation Acquisition and Construction	10,000	10,000	8,988
Fiscal Services	200,000	200,000	174,487
Food Services	560,400	609,500	584,871
Central Services	200,000	200,000	183,268
Pupil Transportation Services	15,000	15,000	12,633
Operation of Plant	1,270,000	1,845,000	1,705,276
Maintenance of Plant	150,000	150,100	137,910
Interest	1,000	600	600
TOTAL EXPENDITURES	<u>\$ 6,267,400</u>	<u>\$ 7,691,000</u>	<u>\$ 7,226,225</u>

**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA / CSFA No.	Agreement No.	Expenditures	Transfers to Subrecipients
<b>FEDERAL AGENCIES</b>				
U.S. Department of Agriculture Pass-through Florida Department of Education National School Lunch Program Grant	10.555	01-0399	\$ 704,683	\$ -
U.S. Department of Education Pass-through Miami Dade County Public Schools Title 1 Grants to Local Educational Agencies	84.010	01-0399	<u>253,584</u>	<u>-</u>
<b>TOTAL FEDERAL AGENCIES</b>			<u>\$ 958,267</u>	<u>\$ -</u>



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

PEDRO M. DE ARMAS, C.P.A.  
OCTAVIO A. VERDEJA, C.P.A.  
OCTAVIO F. VERDEJA, C.P.A.

JORGE M. MORALES, C.P.A.  
ALEJANDRO M. TRUJILLO, C.P.A.  
TAB VERDEJA, C.P.A.

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

We have audited the financial statements of Mater Academy Charter High School (A Charter School Under Mater Academy, Inc.) as of, and for the year ended June 30, 2006 and have issued our report thereon dated August 25, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mater Academy Charter High School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we reported to management of Mater Academy Charter High School in a separate management letter which is included in this reporting package.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mater Academy Charter High 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*.

CERTIFIED PUBLIC ACCOUNTANTS

A LIMITED LIABILITY PARTNERSHIP OF PROFESSIONAL ASSOCIATIONS

**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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NOTE A - GENERAL

The Schedule of Expenditures of Federal Awards included herein represents all of the federal grants of Mater Academy Charter High School over which the school exercised direct operating control for the year ended June 30, 2006. Total federal expenditures for National School Lunch Program include \$215,729 in generated program income.

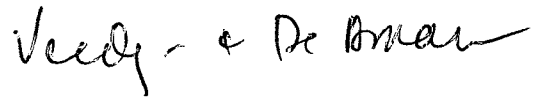
NOTE B - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

NOTE C - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activities of the School during its fiscal year July 1, 2005 to June 30, 2006. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which may be a matter of public record.

A handwritten signature in black ink, appearing to read "Veedly & De Bona". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 25, 2006

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

PEDRO M. DE ARMAS, C.P.A.  
OCTAVIO A. VERDEJA, C.P.A.  
OCTAVIO F. VERDEJA, C.P.A.

JORGE M. MORALES, C.P.A.  
ALEJANDRO M. TRUJILLO, C.P.A.  
TAB VERDEJA, C.P.A.

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

**Compliance**

We have audited the compliance of Mater Academy Charter High School (A Charter School Under Mater Academy, Inc.) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal awards programs for the year ended June 30, 2006. Mater Academy Charter High School's major federal awards programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal awards programs is the responsibility of Mater Academy Charter High School's management. Our responsibility is to express an opinion on Mater Academy Charter High School's compliance based on our audit.

We conducted our audit of compliance in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal awards program occurred. An audit includes examining, on a test basis, evidence about Mater Academy Charter High School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mater Academy Charter High School's compliance with those requirements.

In our opinion, Mater Academy Charter High School, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal awards programs for the year ended June 30, 2006.

### **Internal Control Over Compliance**

The management of Mater Academy Charter High School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mater Academy Charter High School's internal control over compliance with the requirements that could have a direct and material effect on a major federal awards program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which may be a matter of public record.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 25, 2006

**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2006**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Reportable condition(s) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Reportable condition(s) identified that are not considered to be material weaknesses?  yes  none reported

Type of auditor's report issued on compliance for major program: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  yes  no

Identification of major programs:

Federal Program or Cluster	CFDA Number	Expenditures
<u>U.S. Department of Agriculture</u> National School Lunch program	10.555	\$704,683

Dollar threshold used to distinguish between type A and type B programs. \$ 300,000

Auditee qualified as low-risk auditee?  yes  no



**MATER ACADEMY CHARTER HIGH SCHOOL (A Charter School Under Mater Academy, Inc.)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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**SECTION II - FINDINGS - FINANCIAL STATEMENTS**

None

**SECTION III - FINDINGS AND QUESTIONED COSTS -  
MAJOR FEDERAL AWARDS PROGRAMS**

None

**SECTION IV - OTHER ISSUES**

1. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal awards programs.
2. No Corrective Action Plan is required because there were no findings required to be reported under the Federal Single Audit Act.



MANAGEMENT LETTER

Board of Directors of  
Mater Academy Charter High School  
Miami, Florida

PEDRO M. DE ARMAS, C.P.A.  
OCTAVIO A. VERDEJA, C.P.A.  
OCTAVIO F. VERDEJA, C.P.A.

JORGE M. MORALES, C.P.A.  
ALEJANDRO M. TRUJILLO, C.P.A.  
TAB VERDEJA, C.P.A.

This letter is written in connection with our audit of the basic financial statements of Mater Academy Charter High School (the "School") as of and for the year ended June 30, 2006. The purpose for this letter is to communicate to you any comments and recommendations, and to comply with the requirements of Chapter 10.850 Rules of the Auditor General, Charter School Audits which requires that this report specifically address but not limit to the matters outlined in Rule 10.854(i)(d).

The following statements relate to requirements of the Auditor General:

1. There were no inaccuracies, irregularities, shortages, defalcations and/or violations of laws, rules, regulations or contractual provisions reported for the preceding audit.
2. Prior year findings and recommendations were followed. (See below.)
3. The following are recommendations to improve the School's financial management, accounting procedures and internal controls:

**CURRENT YEAR FINDINGS**

**Transactions with Affiliates**

Observation

During our audit, we noted certain transactions with affiliated entities. In addition, we became aware that certain board members and employees of the School serve as board members of other schools.

Recommendation

The Board of Directors of the School should ensure that policies are developed and adopted whereby transactions between a school and any affiliated entity is reviewed for objectivity in order to avoid any potential conflict of interests.

**Bank Reconciliations**

Observation

During our testing, we noted several checks that had been recorded to the general ledger, but were not posted to the bank reconciliation.

Recommendation

Management should review bank reconciliations on a regular basis to ensure that they agree with the general ledger.

## **Bank Accounts**

### Observation

V&D noted that there were two bank accounts that were closed during the year and a transaction was incorrectly posted to each of these accounts.

### Recommendation

Management should review the general ledger on a periodic basis to ensure that accounts that were closed have a zero balance.

## **Expense Allocation**

### Observation

The School shares its facility and related costs with another Charter School using an allocation rate based on the number of students. The number of students may change from time to time. The allocation rate was not adjusted timely.

### Recommendation

Allocation rates should be reviewed periodically to determine that allocations are correct based on the most current student count.

## **PRIOR YEAR FINDINGS**

### **Segregation of Duties**

#### Observation

Due to the limited number of personnel, certain duties are performed by one individual, such as signing checks and recording transactions in the general ledger.

#### Recommendation

To the extent possible, the custody, authorization and record keeping of the cash disbursement function should be segregated.

4. There were no violations of laws, rules, regulations or contractual provisions discovered during our audit.
5. There were no illegal or improper expenditures discovered during our audit, relating to improper or inadequate accounting procedures, improperly recorded transactions, fraud or other reportable conditions.

  
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 25, 2006

**Mater Academy High School**

September 5, 2006

Mr. Octavio Verdeja, Jr.  
Verdeja & Gravier, CPA  
201 Alhambra Circle, Ste 901  
Coral Gables, FL 33134

RE: MANAGEMENT'S RESPONSES TO AUDITOR'S OBSERVATIONS

Dear Mr. Verdeja:

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

**CURRENT YEAR FINDINGS**

**Observation**

During our audit, we noted certain transactions with affiliated entities. In addition, we became aware that certain board members and employees of the School serve as board members of other schools.

**Management Response**

The Board of the School will develop and adopt a comprehensive policy addressing transactions with affiliated entities to ensure that any such transactions are evaluated for objectivity and reasonableness.

**Observation**

During our testing, we noted several checks that had been recorded to the general ledger, but were not posted to the bank reconciliation.

**Management Response**

To expedite the preparation of the year end financial statements for audit, the school closed postings to the General Ledger prior to reconciling the bank statements. Postings to the ledger were accurate and adjustments necessitated by the bank reconciliations were posted manually.

**Observation**

V & D noted that there were two bank accounts that were closed during the year and a transaction was incorrectly posted to each of these accounts.

**Management Response**

The school changed banks, and several small charges for bank account fees were charged to the old bank accounts after they were closed. This has been corrected.

**Observation**

The School shares its facility and related costs with another Charter School using an allocation rate based on the number of students. The number of students may change from time to time. The allocation rate was not adjusted timely.

**Management Response**

The School will review the formula used for allocating expenses on a quarterly basis during the school year to ensure timely apportionment of the allocated expenses.

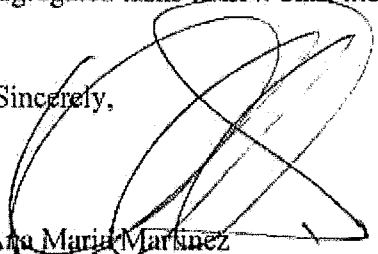
**PRIOR YEAR FINDINGS****Observation**

Due to the limited number of personnel, certain duties are performed by one individual, such as signing checks and recording transactions in the general ledger.

**Management Response**

The prior year findings regarding segregation of duties were resolved by allocating segregated tasks to new staff members.

Sincerely,



Ana Maria Martinez

Authorized Signor for Mater Academy, Inc.

# MATER ACADEMY CHARTER HIGH

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

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

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

CPA's Name: **Verdeja & De Armas, LLP**  
CPA's Address: **255 Alhambra Circle, Suite 424, Coral Gables, FL 33134**  
License No.: **AD 64730** Status: **Active**  
Expiration Date: **December 31, 2007**

In reference to this checklist, please refer any questions to the Office of Management and Compliance Audits, attention Mr. Norberto Ferradaz, CPA (305) 995-1318.

**Please forward a copy of the completed checklist with your audit.**