

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

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2006

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MANAGEMENT AND  
BOARD OF DIRECTORS

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MANAGEMENT AND  
BOARD OF DIRECTORS

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**MATER ACADEMY EAST MIDDLE SCHOOL**

(A Charter School Under Mater Academy, Inc.)

450 SW 4<sup>th</sup> Street

Miami, Florida 33130

(305) 324-4667

**2005-2006**

**BOARD OF DIRECTORS**

David Concepción, Chairman

Greta Santos

Shannine Sadesky

Dr. Ruth Jacoby

Antonio Roca, Esq

**SCHOOL ADMINISTRATION**

Ana Valdes, Principal

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Mater Academy East Middle School  
(A Charter School Under Mater Academy, Inc.)  
Miami, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Mater Academy East Middle School, (A Charter School Under Mater Academy, Inc.), (the "School") a component unit of the District School Board of Miami-Dade County, as of and from July 1, 2005 (inception of operations) through 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.

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 East Middle School, as of June 30, 2006 and the respective changes in financial position for the period 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 21 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 25, 2006

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

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

**Financial Highlights**

1. The assets of the School exceeded its liabilities at June 30, 2006 by \$154,709 (net assets).
2. At year-end, the School had current assets on hand of \$118,073.
3. The net assets of the School increased by \$154,709 during the year. This was the first school year operations.

**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 \$154,709 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 are as follows:

	2006
Cash	\$ 72,346
Accounts Receivable	5,116
Due from Other Agencies	33,189
Deposits	400
Prepaid Expenses	7,422
Capital Assets	<u>77,598</u>
Total Assets	<u>\$ 196,071</u>
Salaries Payable and Accrued Liabilities	<u>\$ 41,362</u>
Total Liabilities	<u>\$ 41,362</u>
Invested in Capital Assets, net of related debt	\$ 77,598
Unrestricted	<u>77,111</u>
Total Net Assets	<u>\$ 154,709</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 period ended June 30, 2006 are as follows:

	<u>2006</u>
<b>REVENUES</b>	
Program Revenues	
Operating Grants and Contributions	\$ 268,659
Capital Outlay Funding	45,462
General Revenues	
Government Grants Not Restricted to Specific Programs	539,166
Charges for Services	---
Other Revenues	<u>3,591</u>
Total Revenues	<u>\$ 856,878</u>
<b>EXPENSES</b>	
Component Unit Activities:	
Instruction	\$ 357,382
Instructional Staff Training Services	4,067
Board	2,390
School Administration	99,800
Facilities Acquisition and Construction	14
Fiscal Services	15,975
Food Services	795
Central Services	16,459
Pupil Transportation Services	---
Operation of Plant	186,662
Maintenance of Plant	18,625
Interest	-
Total Expenses	<u>\$ 702,169</u>
Increase in Net Assets	154,709
Net Assets at Beginning of Year	-
Net Assets at End of Year	<u>\$ 154,709</u>

Mater Academy East Middle School's revenue for the first school year of operations was \$856,878. The School had expenses for the first school year of \$702,169. The most significant expenses were for Instruction, School Administration and Operation of Plant. In addition, the School had cash of \$72,346 and Capital Assets of \$77,598. The School had an increase in its fund balance (change in net assets) of \$154,709 for the year.

**Lease of Facility**

The School leases a facility located at 450 SW 4<sup>th</sup> Street, Miami, Florida, 33130.



### **Capital Improvement Requirements**

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

### **Accomplishments**

In 2006, the School was recognized for its high student achievement as one of the top-five of the highest performing middle school in Miami-Dade County. While serving an inner city student population from low income immigrant families, the School earned a letter grade of "A" during the 2005-2006 school year and received a School Recognition Award from the Florida Department of Education. It also achieved Adequate Yearly Progress under *No Child Left Behind*.

### **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 \$77,111

#### **Capital Assets**

The School's investment in capital assets as of June 30, 2006 amounts to \$77,598 (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	\$ 250,000	\$ 268,659
Capital Outlay Funding	54,875	-	45,462
General Revenues			
Government Grants Not Restricted to Specific Programs	587,500	400,000	539,166
Other Revenues	-	-	3,591
Total Revenues	<u>\$ 892,375</u>	<u>\$ 650,000</u>	<u>\$ 856,878</u>
<b>EXPENSES</b>			
Component Unit Activities:			
Instruction	326,752	\$ 364,500	\$ 357,382
Instructional Staff Training Services	4,000	5,000	4,067
Board	3,000	3,000	2,390
School Administration	110,000	107,750	99,800
Facilities Acquisition and Construction	-	50	14
Fiscal Services	15,000	17,500	15,975
Food Services	-	950	795
Central Services	5,000	17,500	16,459
Operation of Plant	125,000	191,000	186,662
Maintenance of Plant	15,000	23,000	18,625
Total Expenses	<u>\$ 603,752</u>	<u>\$ 730,250</u>	<u>\$ 702,169</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 EAST MIDDLE 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>
<b>ASSETS</b>	
CURRENT ASSETS	
Cash	\$ 72,346
Accounts receivable, no allowance necessary	5,116
Due from other agencies	33,189
Prepaid expenses	<u>7,422</u>
TOTAL CURRENT ASSETS	118,073
CAPITAL ASSETS	
Furniture, equipment and textbooks	85,648
Less accumulated depreciation	<u>(8,050)</u>
	77,598
DEPOSITS	<u>400</u>
TOTAL ASSETS	<u><u>\$ 196,071</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
CURRENT LIABILITIES	
Salaries and wages payable	\$ 22,362
Deferred Revenue	<u>19,000</u>
TOTAL LIABILITIES	41,362
NET ASSETS	
Invested in capital assets, net of related debt	77,598
Unrestricted	<u>77,111</u>
TOTAL NET ASSETS	<u>154,709</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 196,071</u></u>

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

MATER ACADEMY EAST MIDDLE 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  
FROM JULY 1, 2005 (INCEPTION OF OPERATIONS) THROUGH JUNE 30, 2006

2006

FUNCTIONS	Expenses	Program Revenues			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	357,382	-	191,159	-	(166,223)
Instructional Staff Training Services	4,067	-	4,000	-	(67)
Board	2,390	-	2,000	-	(390)
School Administration	99,800	-	24,000	-	(75,800)
Facilities Acquisition and Construction	14	-	-	-	(14)
Fiscal Services	15,975	-	10,000	-	(5,975)
Food Services	795	-	-	-	(795)
Central Services	16,459	-	-	-	(16,459)
Operation of Plant	186,662	-	37,500	45,462	(103,700)
Maintenance of Plant	18,625	-	-	-	(18,625)
Interest on Long-term Debt	-	-	-	-	-
<b>Total Component Unit Activities</b>	<b>702,169</b>	<b>-</b>	<b>268,659</b>	<b>45,462</b>	<b>(388,048)</b>

GENERAL REVENUES:

Government grants not restricted to specific programs	539,566
Other	3,191
Change in Net Assets	154,709
NET ASSETS - BEGINNING	-
NET ASSETS - ENDING	154,709

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

MATER ACADEMY EAST MIDDLE 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			
	General	Special	Capital	Total
	Fund	Revenue Fund	Projects Fund	Governmental Funds
<b>ASSETS</b>				
Cash	\$ 72,346	\$ -	\$ -	\$ 72,346
Accounts receivable, no allowance necessary	5,116	-	-	5,116
Due from other agencies	10,600	22,589	-	33,189
Prepaid Expense	7,422	-	-	7,422
Deposits	400	-	-	400
Due to / from funds	22,589	(22,589)	-	-
<b>TOTAL ASSETS</b>	<b>\$ 118,473</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 118,473</b>
<b>LIABILITIES</b>				
Salaries and wages payable	\$ 22,362	\$ -	\$ -	\$ 22,362
Accounts payable	19,000	-	-	19,000
<b>TOTAL LIABILITIES</b>	<b>41,362</b>	<b>-</b>	<b>-</b>	<b>41,362</b>
<b>FUND BALANCE</b>				
Unreserved	77,111	-	-	77,111
<b>TOTAL FUND BALANCE</b>	<b>77,111</b>	<b>-</b>	<b>-</b>	<b>77,111</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 118,473</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 118,473</b>

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

**MATER ACADEMY EAST MIDDLE 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  
FROM JULY 1, 2005 (INCEPTION OF OPERATIONS) THROUGH JUNE 30, 2006**

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Total Fund Balance - Governmental Funds	77,111
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets of \$85,648, net of accumulated depreciation of \$8,050 used in governmental activities are not financial resources and therefore are not reported in the fund.	<u>77,598</u>
Total Net Assets - Governmental Activities	<u><u>154,709</u></u>

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

**MATER ACADEMY EAST MIDDLE SCHOOL (A Charter School Under Mater Academy, Inc.)  
A NON-MAJOR COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COU  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FROM JULY 1, 2005 (INCEPTION OF OPERATIONS) THROUGH JUNE 30, 2006**

	2006			
	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>				
Capital outlay funding	\$ -	\$ -	\$ 45,462	\$ 45,462
Federal grants	-	268,659	-	268,659
Local Sources	539,566	-	-	539,566
Charges for services	-	-	-	-
Other revenues	3,191	-	-	3,191
		-	-	
Total Revenues	<u>\$ 542,757</u>	<u>\$ 268,659</u>	<u>\$ 45,462</u>	<u>\$ 856,878</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction	\$ 160,234	\$ 191,159	\$ -	\$ 351,393
Instruction and Curriculum Development Services	67	4,000	-	4,067
Instructional Staff Training Services	-	-	-	-
Board	390	2,000	-	2,390
School Administration	75,800	24,000	-	99,800
Fiscal Services	5,975	10,000	-	15,975
Food Services	505	-	-	505
Central Services	16,459	-	-	16,459
Pupil Transportation Services	-	-	-	-
Operation of Plant	102,213	37,500	45,462	185,175
Maintenance of Plant	18,355	-	-	18,355
<b>Capital Outlay:</b>				
Other Capital Outlay	85,648	-	-	85,648
Total Expenditures	<u>\$ 465,646</u>	<u>\$ 268,659</u>	<u>\$ 45,462</u>	<u>\$ 779,767</u>
Excess of Revenues Over Expenditures	<u>77,111</u>	<u>-</u>	<u>-</u>	<u>77,111</u>
Net change in fund balance	77,111	-	-	77,111
Fund Balance at beginning of year	-	-	-	-
Fund Balance at end of year	<u>77,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,111</u>

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

**MATER ACADEMY EAST MIDDLE 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  
FROM JULY 1, 2005 (INCEPTION OF OPERATIONS) THROUGH JUNE 30, 2006**

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Change in Fund Balance - Governmental Funds \$ 77,111

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 \$85,648 exceed depreciation expense of \$8,050 in the current period.

77,598

Change in Net Assets of Governmental Activities

\$ 154,709

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



**MATER ACADEMY EAST MIDDLE 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 East Middle School (A Charter School Under Mater Academy, Inc.) (the "School"), is a not-for-profit charter school located in Miami, Florida for children from sixth through eighth grades. 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, 2015 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 East Middle School is funded by the Miami-Dade County Public School District and in addition, receives government grants.

These financial statements are from July 1, 2005 (inception of operations) through June 30, 2006, when 106 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.

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 EAST MIDDLE 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 may also receive 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 EAST MIDDLE 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.

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:

School Recognition Award	\$ 10,600
Capital Outlay	<u>22,589</u>
	<u>\$ 33,189</u>

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

**NOTE 5 – CHANGES IN CAPITAL ASSETS**

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

	Balance 07/01/05	Additions	Retirements	Balance 06/30/06
Capital Assets				
Furniture, Equipment and Textbooks	\$ -	\$ 85,648	\$ -	\$ 85,648
Total Capital Assets	<u>-</u>	<u>85,648</u>	<u>-</u>	<u>85,648</u>
Less Accumulated Depreciation				
Furniture, Equipment and Textbooks	<u>-</u>	<u>( 8,050)</u>	<u>-</u>	<u>( 8,050)</u>
Total Accumulated Depreciation	<u>-</u>	<u>( 8,050)</u>	<u>-</u>	<u>( 8,050)</u>
Capital Assets, net	<u>\$ -</u>	<u>\$ 77,598</u>	<u>\$ -</u>	<u>\$ 77,598</u>

Depreciation expense for the School year ended June 30, 2006 was \$8,050 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 \$47,925, 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

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

The School entered into a Lease agreement with School Development East, LLC. The School shares its facilities with another school and lease payments are allocated 26% to the school and 74% to the other school that shares the facilities. 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.

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

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**NOTE 8 – COMMITMENTS UNDER OPERATING LEASES AND CONTRACTS/CONTINGENCIES**  
(Continued)

The School also leases various office equipment with monthly payments ranging from \$492 to \$1,524 through 2008.

Total rental payments for the year ended June 30, 2006 were approximately \$121,000 representing its 26% portion.

Future minimum payments under the operating leases are as follows:

<u>Fiscal Years</u>	
2007	111,231
2008	110,100
2009	109,350
2010	109,200
2011	109,200
2012-2016	546,000
2017-2021	546,000
2022-2024	341,250

Finally, 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.

**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 \$72,346 and the respective bank balances totaled \$110,111. Out of the total bank balances, \$100,000 was covered by the Federal Depository Insurance Corporation (FDIC). The remaining was fully collateralized by U.S. Government obligations under a repurchase agreement with Wachovia Bank.

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

As indicated in note 8, the School shares its facilities with another school. 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, certain Board members of the School serve as Board members of other affiliated Schools and a Board member serves as principal of another affiliated School.

**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.

REQUIRED SUPPLEMENTARY INFORMATION

**MATER ACADEMY EAST MIDDLE 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**  
**FROM JULY 1, 2005 (INCEPTION OF OPERATIONS) THROUGH JUNE 30, 2006**

	Governmental Funds		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Program Revenues			
Operating Grants and Contributions	\$ 250,000	\$ 250,000	\$ 268,659
Capital Outlays and Contributions	54,875	-	45,462
General Revenues			
Government Grants Not Restricted to Specific Programs	587,500	400,000	539,166
Other Revenues	-	-	3,591
<b>TOTAL REVENUES</b>	<b>\$ 892,375</b>	<b>\$ 650,000</b>	<b>\$ 856,878</b>
<b>EXPENDITURES</b>			
Component Unit Activities:			
Instruction	\$ 326,752	\$ 364,500	\$ 357,382
Instruction Staff Training Services	4,000	5,000	4,067
Board	3,000	3,000	2,390
School Administration	110,000	107,750	99,800
Facilitation Acquisition and Construction	-	50	14
Fiscal Services	15,000	17,500	15,975
Food Services	-	950	795
Central Services	5,000	17,500	16,459
Pupil Transportation Services	125,000	-	-
Operation of Plant	15,000	191,000	186,662
Maintenance of Plant	-	23,000	18,625
<b>TOTAL EXPENDITURES</b>	<b>\$ 603,752</b>	<b>\$ 730,250</b>	<b>\$ 702,169</b>



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 East Middle School  
(A Charter School Under Mater Academy, Inc.)  
Miami, Florida

We have audited the financial statements of Mater Academy East Middle School (A Charter School Under Mater Academy, Inc.) as of, and from July 1, 2005 (inception of operations) through 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 East Middle 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 East Middle 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 East Middle 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*.

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 "Vedy-DeAnna". The signature is fluid and cursive, written in a professional style.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 25, 2006

MANAGEMENT LETTER

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

Board of Directors of  
Mater Academy East Middle School  
Miami, Florida

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 East Middle 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. There are no prior year findings and recommendations since this was the first year of operations.
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**

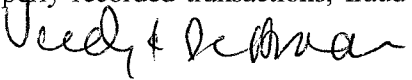
Observation

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.

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 East Middle**

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.

Sincerely,



Ana Maria Martinez  
Authorized Signor for Mater Academy, Inc.

# MATER ACADEMY EAST MIDDLE

## 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.**