

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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2006

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MANAGEMENT AND
BOARD OF DIRECTORS
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MATER ACADEMY
(A Charter School Under Mater Academy, Inc.)

7700 N.W. 98th Street
Hialeah Gardens, Florida 33016
(305) 698-9900

2005-2006

BOARD OF DIRECTORS

Antonio Roca, Esq
David Concepción, Chairman
Dr. Ruth Jacoby
Greta Santos
Shannine Sadesky

SCHOOL ADMINISTRATION

Kim Guilarte, Principal
Salima Jacquinet, Lead Teacher



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

INDEPENDENT AUDITORS' REPORT

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

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

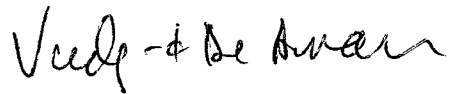
We have audited the accompanying basic financial statements of the governmental activities and each major fund of Mater Academy (A Charter School Under Mater Academy, Inc.), (the "School") a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2006, 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 2005 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, 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 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
(A Charter School Under Mater Academy, Inc.)
June 30, 2006

The corporate officers of Mater Academy, Inc. have prepared this narrative overview and analysis of Mater Academy's financial activities for the fiscal year ended June 30, 2006.

Financial Highlights

1. The assets of the Charter School exceeded its liabilities at June 30, 2006 by \$4,667,386 (net assets).
2. At year-end, the School had current assets on hand of \$3,054,844.
3. The net assets of the School increased by \$822,474 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

As noted earlier, net assets may serve over time as a useful indicator of a charter school’s financial position. In the case of the School, assets exceeded liabilities by \$4,677,386 at the close of the fiscal year. A summary of the School’s net assets as of June 30, 2006 and 2005 follows:

	2006	2005
Cash	\$ 2,671,096	\$ 1,801,115
Accounts Receivable	157,352	29,538
Due from Other Agencies	133,396	475,034
Due from Other Schools	93,000	---
Deposits	15,472	15,472
Capital Assets	<u>1,777,711</u>	<u>1,908,707</u>
Total Assets	<u>\$ 4,848,027</u>	<u>\$4,229,866</u>
Accounts Payable and Accrued Liabilities	\$ 170,641	\$ 372,400
Leases Payable	<u>-</u>	<u>2,554</u>
Total Liabilities	<u>\$ 170,641</u>	<u>\$ 374,954</u>
Invested in Capital Assets, net of related debt	\$ 1,777,711	\$1,906,153
Unrestricted	<u>2,899,675</u>	<u>1,948,759</u>
Total Net Assets	<u>\$ 4,677,386</u>	<u>\$3,854,912</u>

At the end of the fiscal year, the School is able to report continued positive balances in the categories of net assets with a net increase for the year. The same situation held true for the prior fiscal year.

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

	2006	2005
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 346,268	\$ 397,096
Capital Grants and Contributions	550,290	400,705
General Revenues		
Government Grants Not Restricted	3,790,208	3,610,196
Charges and Other	<u>174,774</u>	<u>106,590</u>
Total Revenues	<u>\$ 4,861,540</u>	<u>\$4,514,587</u>
EXPENSES		
Instruction	\$2,435,709	\$2,492,377
Instructional Media Services	329	3,807
Instruction and Curriculum		
Development Services	---	1,658
Instructional Staff Training Services	58,755	13,767
Board	11,625	16,747
School Administration	335,394	368,751
Facilities Acquisition and Construction	270,850	267,021
Fiscal Services	106,870	106,875
Food Services	2,266	23,137
Central Services	113,012	109,335
Pupil Transportation Services	2,209	-
Operation of Plant	596,862	553,014
Maintenance of Plant	43,743	69,198
Community Services	61,442	38,832
Interest	<u>-</u>	<u>346</u>
Total Expenses	<u>4,039,066</u>	<u>4,064,865</u>
Increase in Net Assets	822,474	449,722
Net Assets at Beginning of Year	<u>3,854,912</u>	<u>3,405,190</u>
Net Assets at End of Year	<u>\$ 4,677,386</u>	<u>\$3,854,912</u>

Mater Academy's revenue increased by \$346,953 in the current year, while expenses remained relatively constant. All revenues increased in the current year but the most significant increase was an increase to FTE and Other Income. In addition, the school increased its cash by \$869,981. The School had an increase in its fund balance (change in net assets) of \$822,474 for the year.

Articulation Agreements

The School has a Sponsor-approved Articulation Agreement with the Mater Academy Charter Middle School. This Agreement gives enrollment preference to students enrolling at the Charter Middle School who complete their education in the eighth grade of the School's K-5 Charter School Program.

Capital Improvement Requirements

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

Accomplishments

While serving an inner city student population from low income immigrant families, Mater Academy East 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*.

School Location

The school continues to operate the hub of its Hialeah Gardens area operations from its facility located at NW 77th Avenue and 98th Street in Hialeah Gardens.

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 \$2,899,675.

Capital Assets

The School’s investment in capital assets as of June 30, 2006 amounts to \$1,777,711 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and 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
REVENUES			
Program Revenues			
Operating Grants and Contributions	\$ 300,000	\$ 346,268	\$ 300,000
Capital Grants and Contributions	328,845	550,290	450,000
General Revenues			
Government Grants Not Restricted	3,646,500	3,790,208	3,750,000
Charges and Other	<u>44,500</u>	<u>174,774</u>	<u>50,000</u>
Total Revenues	<u>\$ 4,319,845</u>	<u>\$ 4,861,540</u>	<u>\$ 4,550,000</u>
EXPENSES			
Instruction	\$ 2,517,045	\$ 2,435,709	\$ 2,455,200
Instructional Media Services	500	329	500
Instructional Staff Training Services	60,000	58,755	60,000
Board	15,000	11,625	12,500
School Administration	350,000	335,394	341,500
Facilities Acquisition and Construction	275,000	270,850	275,000
Fiscal Services	115,000	106,870	107,600
Food Services	2,500	2,266	2,500
Central Services	120,000	113,012	117,500
Pupil Transportation Services	2,500	2,209	2,500
Operation of Plant	650,000	596,862	620,000
Maintenance of Plant	93,000	43,743	58,000
Community Services	<u>75,000</u>	<u>61,442</u>	<u>63,500</u>
Total Expenses	<u>\$ 4,275,545</u>	<u>\$ 4,039,066</u>	<u>\$ 4,116,300</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 (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> (Summarized Comparative Information)
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,671,096	\$ 1,801,115
Accounts receivable, no allowance necessary	157,352	29,538
Due from other school	93,000	0
Due from other agencies	133,396	475,034
TOTAL CURRENT ASSETS	<u>3,054,844</u>	<u>2,305,687</u>
CAPITAL ASSETS		
Land	5,450	5,450
Buildings and fixed equipment	2,534,740	2,534,740
Less accumulated depreciation	(1,081,630)	(845,531)
Furniture, equipment and textbooks	1,160,579	874,574
Less accumulated depreciation	(850,508)	(678,996)
Audio visual materials	35,107	35,107
Less accumulated depreciation	(26,915)	(20,088)
Software	7,690	7,690
Less accumulated depreciation	(6,802)	(4,239)
	<u>1,777,711</u>	<u>1,908,707</u>
DEPOSITS	<u>15,472</u>	<u>15,472</u>
TOTAL ASSETS	<u><u>\$ 4,848,027</u></u>	<u><u>\$ 4,229,866</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Salaries and wages payable	\$ 165,213	\$ 178,630
Accounts payable	5,428	26,992
Deferred Revenue	-	166,778
Capital leases payable	-	2,554
TOTAL LIABILITIES	<u>170,641</u>	<u>374,954</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,777,711	1,906,153
Unrestricted	2,899,675	1,948,759
TOTAL NET ASSETS	<u>4,677,386</u>	<u>3,854,912</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,848,027</u></u>	<u><u>\$ 4,229,866</u></u>

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

MATER ACADEMY (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	
	Program Revenues				(Summarized Comparative Information)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
Component Unit Activities:						
Instruction	\$2,435,709	\$ -	\$ 550,290	\$ -	(1,885,419)	\$ (2,116,502)
Instructional Media Services	329	-	-	-	(329)	(3,807)
Instruction and Curriculum Development Services	-	-	-	-	-	(1,658)
Instructional Staff Training Services	58,755	-	-	-	(58,755)	(2,267)
Board	11,625	-	-	-	(11,625)	(16,747)
School Administration	335,394	-	-	-	(335,394)	(368,751)
Facilities Acquisition and Construction	270,850	-	-	-	(270,850)	(267,021)
Fiscal Services	106,870	-	-	-	(106,870)	(101,875)
Food Services	2,266	-	-	-	(2,266)	(23,137)
Central Services	113,012	-	-	-	(113,012)	(109,335)
Pupil Transportation Services	2,209	-	-	-	(2,209)	-
Operation of Plant	596,862	57,586	-	346,268	(193,008)	(90,002)
Maintenance of Plant	43,743	-	-	-	(43,743)	(69,198)
Community Services	61,442	-	-	-	(61,442)	(38,832)
Interest	-	-	-	-	-	(346)
Total Component Unit Activities	4,039,066	57,586	550,290	346,268	(3,084,922)	(3,209,478)

GENERAL REVENUES:

Government grants not restricted to specific programs	3,790,208	3,610,196
Fundraising and other revenue	117,188	49,004
Change in Net Assets	822,474	449,722
NET ASSETS - BEGINNING	3,854,912	3,405,190
NET ASSETS - ENDING	\$ 4,677,386	\$ 3,854,912

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

MATER ACADEMY (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)
ASSETS					
Cash	\$ 2,671,096		\$ -	\$ 2,671,096	\$ 1,801,115
Accounts receivable, no allowance necessary	157,352	-	-	157,352	29,538
Due from other agencies	71,346	-	62,050	133,396	475,034
Deposits receivable	15,472	-	-	15,472	15,472
Due from other school	93,000	-	-	93,000	-
Due to / from funds	62,050	-	(62,050)	-	-
TOTAL ASSETS	\$ 3,070,316	\$ -	\$ -	\$ 3,070,316	\$ 2,321,159
LIABILITIES					
Salaries and wages payable	\$ 165,213	\$ -	\$ -	\$ 165,213	\$ 178,630
Accounts payable	5,428	-	-	5,428	26,992
Deferred Revenue	-	-	-	-	166,778
TOTAL LIABILITIES	170,641	-	-	170,641	372,400
FUND BALANCE					
Unreserved	2,899,675	-	-	2,899,675	1,948,759
TOTAL FUND BALANCE	2,899,675	-	-	2,899,675	1,948,759
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,070,316	\$ -	\$ -	\$ 3,070,316	\$ 2,321,159

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

MATER ACADEMY (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
FOR THE YEAR ENDED JUNE 30, 2006

Total Fund Balance - Governmental Funds \$ 2,899,675

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

Capital assets of \$3,743,566, net of accumulated depreciation of \$1,965,855 used in governmental activities are not financial resources and therefore are not reported in the fund.

1,777,711

Total Net Assets - Governmental Activities

\$ 4,677,386

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

MATER ACADEMY (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
	General Fund	Special Revenue Fund	Capital Projects Fund		(Summarized Comparative Information)
REVENUES					
Capital outlay funding	\$ -	\$ -	\$ 346,268	\$ 346,268	\$ 397,096
Local sources	3,790,208	-	-	3,790,208	3,610,196
Federal grants (including Title I funding)	-	550,290	-	550,290	400,705
Charges and other revenue	117,188	57,586	-	174,774	106,590
Total Revenues	\$ 3,907,396	\$ 607,876	\$ 346,268	\$ 4,861,540	\$ 4,514,587
EXPENDITURES					
Current:					
Instruction	\$ 1,761,748	\$ 550,290	\$ -	\$ 2,312,038	2,370,934
Instructional Media	-	-	-	-	3,807
Instructional and Curriculum Development Services	-	-	-	-	1,658
Instructional Staff Training Services	58,755	-	-	58,755	13,767
Board	11,625	-	-	11,625	16,747
School Administration	329,805	-	-	329,805	357,508
Fiscal Services	106,870	-	-	106,870	106,875
Central Services	113,012	-	-	113,012	109,335
Pupil Transportation Services	2,209	-	-	2,209	-
Operation of Plant	181,468	57,586	346,268	585,322	543,672
Maintenance of Plant	40,988	-	-	40,988	68,483
Community Services	61,442	-	-	61,442	38,832
Capital Outlay:				-	-
Other Capital Outlay	286,004	-	-	286,004	89,115
Debt Service:				-	-
Redemption of Principal Interest	2,554	-	-	2,554	13,745
	-	-	-	-	346
Total Expenditures	2,956,480	607,876	346,268	3,910,624	3,734,824
Excess of Revenues Over Expenditures	950,916	-	-	950,916	779,763
Net change in fund balance	950,916	-	-	950,916	779,763
Fund Balance at beginning of year	1,948,759	-	-	1,948,759	1,168,996
Fund Balance at end of year	\$ 2,899,675	\$ -	\$ -	\$ 2,899,675	\$ 1,948,759

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

**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**

Change in Fund Balance - Governmental Funds \$ 950,916

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 \$286,004 differed from depreciation expense of \$417,001.

(130,996)

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 repayments of \$2,554 exceeded proceeds of \$0.

2,554

Change in Net Assets of Governmental Activities

\$ 822,474

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

NOTE 1 – ORGANIZATION AND OPERATIONS

Mater Academy (A Charter School Under Mater Academy, Inc.) (the "School"), is a not-for-profit charter school located in Hialeah Gardens, Florida for children from kindergarten through fifth 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, 2018 and may be renewed for up to 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 (A Charter School Under Mater Academy, Inc.) 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 712 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.

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
Capital Leases	5 Years
Audiovisual Materials	5 Years
Software	3 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 Charter 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 (A Charter School Under Mater Academy, Inc.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

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:

Capital Outlay	\$ 62,050
School Recognition Award	71,346
	<u>\$ 133,396</u>

NOTE 5 – LINE OF CREDIT

The School has a line of credit agreement provided by the management company for its use by the School on an as needed basis. There was no outstanding balance as of June 30, 2006.

NOTE 6 – CAPITAL LEASE PAYABLE

The School acquired kitchen equipment under capital leases payable maturing in 2006, and collateralized by the related equipment.

The following is a summary of changes in capital leases payable:

	Balance 7/1/05	Additions	Deletions	Balance 6/30/06
Capital Lease Payable	<u>\$ 2,554</u>	<u>\$ -</u>	<u>(\$ 2,554)</u>	<u>\$ -</u>

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

NOTE 7 – 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	Reclassifications	Balance 06/30/06
Capital Assets				
Land	\$ 5,450	\$ -	\$ -	\$ 5,450
Building and Improvements	2,534,740	-	-	2,534,740
Furniture, Equipment and Textbooks	874,574	286,004	-	1,160,579
Audiovisual Materials	35,107	-	-	35,107
Software	7,690	-	-	7,690
Total Capital Assets	<u>3,457,561</u>	<u>286,004</u>	<u>-</u>	<u>3,743,566</u>
Less Accumulated Depreciation				
Building and Improvements	(845,531)	(236,099)	-	(1,081,630)
Furniture, Equipment and Textbooks	(678,996)	(171,512)	-	(850,508)
Audiovisual Materials	(20,088)	(6,827)	-	(26,915)
Software	(4,239)	(2,563)	-	(6,802)
Total Accumulated Depreciation	<u>(1,548,854)</u>	<u>(417,001)</u>	<u>-</u>	<u>(1,965,855)</u>
Capital Assets, net	<u>\$ 1,908,707</u>	<u>(\$ 130,996)</u>	<u>\$ -</u>	<u>\$ 1,777,711</u>

Depreciation expense for the year ended June 30, 2006 was \$417,001 and has been allocated to various functions in the Statement of Activities.

NOTE 8 – 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 Charter. During the year ended June 30, 2006, the School incurred \$320,400, 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 9 – COMMITMENTS UNDER OPERATING LEASES AND CONTRACTS/CONTINGENCIES

The School leases its main facility from Palmetto Park, Inc, as landlord, pursuant to a lease term expiring on January 2009. Monthly lease payments are approximately \$25,000 subject to annual increase based on the Consumer Price Index.

At the time the lease was signed, Fernando Zulueta (See Note 6) was concluding his service as president of the School, which he did in September 2004.

In addition, the School is leasing various office equipment with monthly payments ranging from \$320 to \$488 payable through October 2008. Total rent expense for the year ended June 30, 2006 was approximately \$350,000.

Future minimum payments under the leases are as follows:

<u>Fiscal Year</u>	
2007	336,187
2008	325,673
2009	154,964

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 10 – 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 \$2,671,096 and the respective bank balances totaled \$2,787,114. Out of the total bank balances, \$200,000 was covered by the Federal Depository Insurance Corporation (FDIC). The remaining balance was partially collateralized by U.S. Government obligations under a repurchase agreement with Wachovia Bank.

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 – TRANSACTIONS WITH OTHER AFFILIATED SCHOOLS

The School made an advance of \$93,000 to an affiliated charter school. In addition, the principal and a teacher of the School also serve as Board members of affiliated Schools. Board members of this School also serve as Board members of other affiliated Schools or are employed by other affiliated Schools.

REQUIRED SUPPLEMENTARY INFORMATION

MATER ACADEMY (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	\$300,000	\$300,000	\$346,268
Capital Outlays and Contributions	328,845	450,000	550,290
General Revenues			
Government Grants Not Restricted to			
Specific Programs	3,646,500	3,750,000	3,790,208
Charges for Services	44,500	50,000	174,774
TOTAL REVENUES	\$ 4,319,845	\$ 4,550,000	\$ 4,861,540
EXPENDITURES			
Component Unit Activities:			
Instruction	\$ 2,517,045	\$ 2,455,200	\$ 2,435,709
Instructional Media Services	500	500	329
Instruction Staff Training Services	60,000	60,000	58,755
Board	15,000	12,500	11,625
School Administration	350,000	341,500	335,394
Facilitation Acquisition and Construction	275,000	275,000	270,850
Fiscal Services	115,000	107,600	106,870
Food Services	2,500	2,500	2,266
Central Services	120,000	117,500	113,012
Pupil Transportation Services	2,500	2,500	2,209
Operation of Plant	650,000	620,000	596,862
Maintenance of Plant	93,000	58,000	43,743
Community Services	75,000	63,500	61,442
TOTAL EXPENDITURES	\$ 4,275,545	\$ 4,116,300	\$ 4,039,066



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
(A Charter School Under Mater Academy, Inc.)
Hialeah Gardens, Florida

We have audited the financial statements of Mater Academy (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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mater Academy'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 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 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'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 and regulatory bodies. However, this report is a matter of public record and its distribution is not limited.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 25, 2006



MANAGEMENT LETTER

Board of Directors of
Mater Academy
(A Charter School Under Mater Academy, Inc.)
Hialeah Gardens, 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 (A Charter School Under Mater Academy, Inc.) 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 three bank accounts that were closed during the year and a transaction was incorrectly posted to each of these accounts.

Recommendation

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

PRIOR YEAR FINDINGS

Segregation of Duties

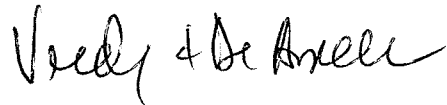
Observation

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

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 three 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.

PRIOR YEAR FINDINGS

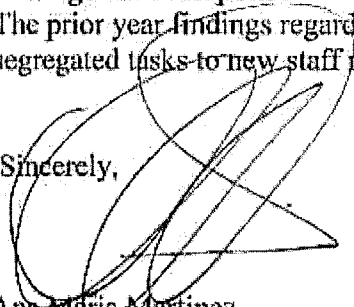
Observation

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

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.