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**AUDITOR GENERAL**

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

**Financial Statements and  
Supplemental Information**

**For the year ended  
June 30, 2007**

**BERMAN HOPKINS  
WRIGHT & LAHAM**  
CPAS AND ASSOCIATES, LLP

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**MATER ACADEMY EAST CHARTER SCHOOL**

(A Charter School Under Mater Academy, Inc.)

7901 N.W. 103rd Street

Hialeah Gardens, Florida 33016

(305) 828-1886

2006-2007

**BOARD OF DIRECTORS**

Anotonia Roca, Esq., Chair

David Concepcion

Shannine Sadesky

Dr. Ruth Jacoby

**SCHOOL ADMINISTRATION**

Beatriz Riara, Principal

**ORGANIZATION'S MANAGEMENT**

Academica Dade, LLC

6255 Bird Road

Miami, Florida 33155

Officers :

Fernando Zulueta, President

Magdalena Fresen, Vice President, Treasurer

Amy Nunez, Secretary

Partners:

John R. Hopkins  
James A. Wright, Jr.  
James S. LaHam  
Ross A. Whitley  
W. Ed Moss, Jr.  
Phillip J. Hayes  
Brian L. Nemeroff

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mater Academy East Charter School, (A Charter School Under Mater Academy, Inc.), (the "School") a component unit of the District School Board of Miami-Dade County, and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of Mater Academy East Charter School at June 30, 2007, and the changes in financial position for the year then ended, and is not intended to be a complete presentation of the Charterholder.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mater Academy East Charter School, as of June 30, 2007, 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 29, 2007 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, are not a required part of the 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 supplementary information. However, we did not audit the information and express no opinion on them.

August 29, 2007  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## Management's Discussion and Analysis

The corporate officers of the Mater Academy East Charter School (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2007.

### Financial Highlights

- The assets of the School exceeded its liabilities at June 30, 2007 by \$742,342 (net assets).
- At year-end, the School had current assets on hand of \$553,156.
- The net assets of the School increased by \$78,566 during the year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's financial statements. The School's financial statements for the year ended June 30, 2007 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 supplementary information in addition to the 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 as soon as 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 8 - 9 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 governmental fund financial statements can be found on pages 10 - 13 of this report.

**Notes to the 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 14 - 23 of this report.

**Government-Wide Financial Analysis**

Assets exceeded liabilities by \$742,342 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 assets as of June 30, 2007 and 2006 follows:

	<b>2007</b>	<b>2006</b>
Cash and cash equivalents	\$ 394,308	\$ 380,374
Accounts receivable	2,488	-
Due from other schools	26,497	-
Due from other agencies	78,108	79,159
Prepaid expenses	46,330	48,628
Deposits	5,425	16,124
Capital assets	284,683	382,093
Total assets	<u>837,839</u>	<u>906,378</u>
Accounts payable and accrued liabilities	62,011	211,470
Due to other schools	6,123	-
Noncurrent liabilities:		
Due within one year	27,363	31,132
Total liabilities	<u>95,497</u>	<u>242,602</u>
Invested in capital assets, net of related debt	263,139	350,960
Unrestricted	479,203	312,816
Total net assets	<u>\$ 742,342</u>	<u>\$ 663,776</u>

At the end of the fiscal year, the School reported positive balances in total net assets.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2007 and 2006 follows:

	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 274,169	\$ 380,149
Capital outlay funding	193,859	112,247
General revenues	1,647,648	1,637,861
Charges for services	10,699	175,461
Miscellaneous	10,505	6,074
Total revenues	<u>2,136,880</u>	<u>2,311,792</u>
Expenses:		
Component unit activities:		
Basic instruction	1,009,497	1,000,700
Exceptional instruction	2,009	-
Instructional staff training services	3,066	102,340
Board	15,974	15,110
School administration	305,351	328,319
Facilities acquisition and construction	32,004	32,002
Fiscal services	64,641	45,375
Food services	96,991	198,530
Other central services	21,256	49,724
Staff services	5,712	-
Information services	2,409	-
Operation of plant	488,977	495,147
Maintenance of plant	10,427	26,942
Total expenses	<u>2,058,314</u>	<u>2,294,189</u>
Increase in net assets	78,566	17,603
Net assets at beginning of year	<u>663,776</u>	<u>646,173</u>
Net assets at end of year	<u>\$ 742,342</u>	<u>\$ 663,776</u>

Mater Academy East Charter School's revenue decreased by \$174,912 in the current year primarily due to a decrease in government grant and food service revenue, for which a portion of its food service revenues and expenses were allocated to Mater Academy East Middle School. The School also had a decrease of expenses for the year of \$235,876. The largest decreases in expenses were for instructional staff training services, other central services and food services. The financial position of the School has improved during the current year. In addition, the School had an increase in capital assets. The School had an increase in its fund balance (change in net assets) of \$78,566 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.

**Articulation**

The School entered into a Sponsor-approved Articulation Agreement with the Mater Academy East Middle School. This Agreement gives enrollment preference to students enrolling at the Middle school who complete their course of education in the fifth grade of the school program.

**Accomplishments**

In 2007, Mater Academy East earned a letter grade of "A" for the third consecutive year, and was the 2<sup>nd</sup> highest-performing public elementary school in Miami-Dade County, based on the points it received under the State of Florida Accountability Program. The School received a "School Recognition Award" from the State of Florida and the "Superintendent's Platinum Award" for its achievements.

This past year, Mater Academy East was featured as one of the top 10 charter schools in the State of Florida at the annual State Charter School Conference. In addition, Mater Academy East's facilities were recognized nationally for exceptional design in *American School and University Magazine*, where a picture of the school appeared on the cover. The school also received national recognition when it received an award from the United Way Campaign for its fundraising efforts. These are notable achievements, considering that Mater Academy East Charter School serves a predominantly minority, low-income student population.

**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 \$485,022.

**Capital Assets**

The School's investment in capital assets as of June 30, 2007 amounts to \$284,683 (net of accumulated depreciation). This investment in capital assets include 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. During the year there was approximately a \$134,000 decrease in appropriations from the original to final amended budget. The decrease is due mainly to an expected decrease in student enrollment.

**Request 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 6255 Bird Road, Miami, Florida 33155.

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**STATEMENT OF NET ASSETS**

**June 30, 2007**

		Governmental Activities
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$	394,308
Accounts receivable		2,488
Due from other schools		26,497
Due from other agencies		78,108
Prepaid expenses		46,330
Deposits		5,425
Total current assets		553,156
<b>CAPITAL ASSETS</b>		
Capital assets, net of accumulated depreciation		
Buildings and fixed equipment		46,458
Furniture, fixtures, equipment, and educational materials		237,936
Audio visual materials		289
Total capital assets		284,683
Total assets		837,839
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accrued payroll and payroll taxes		62,011
Due to other schools		6,123
Noncurrent liabilities:		
Due in one year		27,363
Total liabilities		95,497
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt		263,139
Restricted for school lunch program		12,294
Unrestricted		466,909
Total net assets	\$	742,342

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

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Basic instruction	\$ 1,009,497	\$ -	185,372	\$ -	\$ (824,125)
Exceptional instruction	2,009	-	-	-	(2,009)
Instructional staff training services	3,066	-	-	-	(3,066)
Board	15,974	-	-	-	(15,974)
School administration	305,351	-	-	-	(305,351)
Facility acquisition and construction	32,004	-	-	-	(32,004)
Fiscal services	64,641	-	-	-	(64,641)
Food services	96,991	10,699	88,797	-	2,505
Other central services	21,256	-	-	-	(21,256)
Staff services	5,712	-	-	-	(5,712)
Information services	2,409	-	-	-	(2,409)
Operation of plant	488,977	-	-	193,859	(295,118)
Maintenance of plant	10,427	-	-	-	(10,427)
<b>Total governmental activities</b>	<b>\$ 2,058,314</b>	<b>\$ 10,699</b>	<b>\$ 274,169</b>	<b>\$ 193,859</b>	<b>(1,579,587)</b>
			<b>General revenues:</b>		
			State through local school district		1,647,648
			Other income		10,505
			<b>Total general revenues</b>		<b>1,658,153</b>
			Change in net assets		78,566
			Net assets at July 1, 2006		663,776
			Net assets at June 30, 2007		<b>\$ 742,342</b>

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

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2007**

	General Fund	Capital Outlay Fund	Other Governmental funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 394,308	\$ -	\$ -	\$ 394,308
Accounts receivable	2,488	-	-	2,488
Due from other schools	-	-	26,497	26,497
Due from other agencies	15,200	62,908	-	78,108
Due from other funds	70,988	-	-	70,988
Prepaid expenses	46,330	-	-	46,330
Deposits	5,425	-	-	5,425
	<b>\$ 534,739</b>	<b>\$ 62,908</b>	<b>\$ 26,497</b>	<b>\$ 624,144</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accrued payroll and payroll taxes	\$ 62,011	\$ -	\$ -	\$ 62,011
Due to other schools	-	-	6,123	6,123
Due to other funds	-	62,908	8,080	70,988
	62,011	62,908	14,203	139,122
<b>FUND BALANCE</b>				
Unreserved	472,728	-	12,294	485,022
Total fund balances	472,728	-	12,294	485,022
Total liabilities and fund balance	<b>\$ 534,739</b>	<b>\$ 62,908</b>	<b>\$ 26,497</b>	<b>\$ 624,144</b>

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

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS**

**For the year ended June 30, 2007**

Fund balances - total governmental funds	\$	485,022
<p>The net assets reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:</p>		
Furniture, fixtures, equipment and educational materials, net of \$203,354 accumulated depreciation	\$	237,936
Audio visual materials, net of \$675 accumulated depreciation		289
Buildings and fixed equipment, net of \$113,559 accumulated depreciation		<u>46,458</u>
Total capital assets		284,683
<p>Long-term liabilities are not due and payable in the current period and therefore not reported in the funds. Those liabilities consist of a capital lease payable and accrued compensated absences.</p>		
Compensated absences		(5,819)
Capital leases		<u>(21,544)</u>
Total net assets of governmental activities		<u>\$ 742,342</u>

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

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS**

**For the year ended June 30, 2007**

	General Fund	Capital Outlay Fund	Other Governmental funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through local school district	\$ 2,250	\$ -	\$ 135,179	\$ 137,429
Federal passed through state	-	-	88,797	88,797
State passed through local school district	1,695,591	193,859	-	1,889,450
Miscellaneous other income	10,505	-	-	10,505
Student lunches	-	-	10,699	10,699
Total revenues	<u>1,708,346</u>	<u>193,859</u>	<u>234,675</u>	<u>2,136,880</u>
<b>Expenditures</b>				
Current:				
Basic instruction	802,448	-	135,179	937,627
Exceptional instruction	2,009	-	-	2,009
Instructional staff training services	3,066	-	-	3,066
Board	15,974	-	-	15,974
School administration	305,351	-	-	305,351
Fiscal services	64,641	-	-	64,641
Food services	-	-	87,202	87,202
Other central services	21,256	-	-	21,256
Information services	2,409	-	-	2,409
Staff services	5,712	-	-	5,712
Operation of plant	290,841	193,859	-	484,700
Maintenance of plant	3,807	-	-	3,807
Debt service:				
Principal	9,588	-	-	9,588
Fixed capital outlay	21,331	-	-	21,331
Total expenditures	<u>1,548,433</u>	<u>193,859</u>	<u>222,381</u>	<u>1,964,673</u>
Excess of revenues over expenditures	159,913	-	12,294	172,207
Fund balances at July 1, 2006	312,815	-	-	312,815
Fund balances at June 30, 2007	<u>\$ 472,728</u>	<u>\$ -</u>	<u>\$ 12,294</u>	<u>\$ 485,022</u>

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

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2007**

Net change in fund balances - total government funds	\$ 172,207
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report fixed capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Total fixed capital outlay	\$ 21,331	
Less depreciation	<u>(118,741)</u>	(97,410)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.

	9,588
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

	(5,819)
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Change in net assets of governmental activities	<u><u>\$ 78,566</u></u>
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The accompanying notes are an integral part of this financial statement.

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting Entity

Mater Academy East Charter School (the "School") is a charter school under Mater Academy, Inc., which is a not-for-profit corporation organized in the State of Florida. The School is located in Miami, Florida serving children from kindergarten through fifth grade. The governing body of the School is the Board of Directors (the "Board"), which is composed of four members. The financial information presented is that of Mater Academy East Charter School only.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the Miami-Dade County Public School District (the "District"). The current charter is effective until June 30, 2012 and may be renewed for an additional 15 years by mutual written agreement between the School and the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of such District. Mater Academy East Charter School is funded by the Miami-Dade County Public School District and in addition, receives government grants.

These financial statements are for the year ended June 30, 2007, when 279 students were enrolled for the school year.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, is subdivided into three categories: amounts invested in capital assets; restricted net assets; and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues. Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Two of the School's funds were deemed to be major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. Agency funds have no measurement focus. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

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

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

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

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus, basis of accounting and financial statement presentation (continued)

Capital Outlay Fund - in accordance with guidelines established by the School District of Miami-Dade County, Florida, this fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

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

4. Cash and cash equivalents

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

5. Due from other 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. The School's management determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds.

7. 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.

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

8. Capital assets, depreciation and amortization

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$500 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Buildings and fixed equipment	10-20
Furniture, fixtures, equipment and educational materials	5
Audiovisual materials	3

9. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District to the School pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports 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 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 revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

10. Compensated absences

The School grants a specific number of days of 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 days, at year-end, may do so. The employee can only cash out if they have used three days or less 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 sick/personal leave. The cash out value is eighty percent of their daily rate.

11. Use of estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE B - CASH AND CASH EQUIVALENTS**

*Custodial credit risk* - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School mitigates the custodial risk for deposits by only doing business with large national banks. At June 30, 2007, the School had a bank balance of \$690,706. Of the bank balance, \$590,706 was not insured by the federal deposit insurance.

**NOTE C - INCOME TAXES**

The School is a charter school under Mater Academy, Inc., which 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 D - DUE FROM AGENCIES**

Due from other agencies is comprised of amounts due from Miami-Dade County Public School District is as follows:

Pay for performance	\$ 15,200
Capital outlay	<u>62,908</u>
	<u>\$ 78,108</u>

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE E - CAPITAL ASSETS**

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2007:

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
Capital Assets				
Buildings and fixed equipment	\$ 160,017	\$ -	\$ -	\$ 160,017
Furniture, equipment and educational materials	419,959	21,331	-	441,290
Audio visual materials	964		-	964
Total assets depreciated	<u>580,940</u>	<u>\$ 21,331</u>	<u>\$ -</u>	<u>602,271</u>
Less accumulated depreciation:				
Buildings and fixed equipment	81,556	\$ 32,003	\$ -	113,559
Furniture, equipment and educational materials	116,809	86,545	-	203,354
Audio visual materials	482	193	-	675
Total accumulated depreciation	<u>198,847</u>	<u>\$ 118,741</u>	<u>\$ -</u>	<u>317,588</u>
Capital assets, net	<u>\$ 382,093</u>			<u>\$ 284,683</u>

Depreciation expense for the year ended June 30, 2007 was charged to functions of the School as follows:

Basic instruction	\$ 66,052
Facility acquisition	32,003
Food service	9,789
Plant	4,277
Maintenance of plant	6,620
	<u>\$ 118,741</u>

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE F - LONG-TERM DEBT**

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

The following is a summary of changes in long-term debt for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due within one year
Compensated absences	\$ -	\$ 5,819	\$ -	\$ 5,819	\$ 5,819
Capital lease payable	31,132	-	9,588	21,544	21,544
	<u>\$ 31,132</u>	<u>\$ 5,819</u>	<u>\$ 9,588</u>	<u>\$ 27,363</u>	<u>\$ 27,363</u>

The assets acquired through the capital leases are recorded in the government-wide statements as follows:

	Governmental Activities
Furniture, fixtures, equipment and educational materials	\$ 36,760
Less: accumulated depreciation	11,028
	<u>\$ 25,732</u>

The future minimum lease obligations and the net present value of the minimum lease payments, as of June 30, 2006, were as follows:

	2008
Total minimum lease payments	\$ 23,267
Less: amount representing interest	1,723
Present value of future minimum lease payments	<u>\$ 21,544</u>

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE G - CONCENTRATIONS**

Revenue sources

As stated in Note A-9, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Sources	Amounts
Miami-Dade County Public School District :	
Base funding	\$ 1,341,189
Safe schools	9,790
ESE allocation	2,791
Exceptional student education guaranteed allocation	2,205
Supplemental academic instruction	108,044
Class size reduction funds	226,488
Instructional materials allocation	27,859
Administration fee withheld (5%)	<u>(85,918)</u>
Subtotal	1,632,448
Capital outlay	193,859
Micro-Society	47,943
Teacher lead program	2,250
Title I - Schoolwide	92,050
Title I - Reading leader	43,129
Pay for performance	<u>15,200</u>
Total from Miami-Dade County Public School District:	2,026,879
Other revenue	
National school lunch program	99,496
Other income	<u>10,505</u>
	<u><u>\$ 2,136,880</u></u>

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE H - COMMITMENTS AND CONTINGENCIES**

1. Management services contract

The School has entered into an agreement with Academica Dade, LLC, 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 June 30, 2009, with an option to renew by the School. During the year ended June 30, 2007, the School incurred \$125,500, in management fees, of which no amounts were due to the management company at year end.

2. Operating leases

The School entered into an amended lease agreement with School Development East, LLC, as landlord, on April 2004 for its main campus which is shared with another charter school under Mater Academy, Inc. The payments for this lease are allocated 67%, or \$298,881, to the School and 33% to the other charter school. Annual total payments are approximately \$446,091 adjusted annually based on the Consumer Price Index (CPI) and continue through August 2024 with an option to renew for an additional five-year term by the School.

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

Future minimum payments under the operating leases are as follows:

Years ending June 30,		
2008	\$	319,132
2009		298,881
2010		298,881
2012		298,881
2013		298,881
2014-2016		1,494,405
2016-2020		1,494,405
2022-2024		1,494,405
	\$	<u>5,997,871</u>

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE I - RELATED PARTY TRANSACTIONS**

The Board believes that it is independent of the management company and is not influenced by the management company in its decision-making if the Board feels it is not in the best interest of the School. Nonetheless, the School provides the information set forth in Items 1 and 2 below.

1. Management service contract

The management company, Academica Dade, LLC provides oversight and management services based on a contractual arrangement with the School. In its capacity as the management company, Academica Dade, LLC manages the finances and operations and makes recommendations to the school's independent board of directors, which makes the final determinations regarding policies and contracts. Management fees total \$125,500 for the year ending June 30, 2007.

2. Operating lease

School Development East, LLC owns property which is leased to the School. Presently, members of this company are also stockholders of the Company which is the sole owner of Academica Dade, LLC, which manages the School (see Note H). Total rent payments charged to the School under this lease amounts to \$298,881. The lease does not contain any provision as to the management of the School.

3. Due to/from other schools

The School's facility is shared with Mater Academy East Middle Charter School (See Note H), which is operated by Mater Academy, Inc. Management allocates a proportionate share of leases, salaries, lunch receipts, food and supplies, and other expenses to each school individually based on student enrollment and usage of facilities and staff.

Due from Mater Academy East Middle School	<u>\$ 6,123</u>
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In addition, the School also shares certain staff with other schools operated by the same management company. A portion of those employees salaries are allocated to each school on a cost reimbursement basis.

The due from other schools consists of the following at June 30, 2007:

Due from Mater Academy High School	<u>\$ 26,497</u>
------------------------------------	------------------

All amounts other than the lunch related services were reimbursed by the audit report date.

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE J - RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; general liabilities; and natural disasters for which the School carries commercial liability insurance. Under the plan for property insurance, the School's has no liability per occurrence. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

**For the year ended June 30, 2007**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
FTE	\$ 1,960,000	\$ 1,771,378	\$ 1,632,449	\$ (138,929)
Performance pay	-	-	15,200	15,200
Micro-society	-	47,943	47,943	-
Teacher lead program	-	2,250	2,250	-
Other revenue	-	4,000	10,504	6,504
Total revenue	1,960,000	1,825,571	1,708,346	(117,225)
<b>Expenses</b>				
Salaries	910,000	835,821	808,433	27,388
Employee benefits	179,730	194,500	188,098	6,402
Purchased/contract services	557,950	450,640	443,687	6,953
Materials and supplies	30,000	111,250	73,632	37,618
Depreciation	120,000	124,300	109,056	15,244
Other	8,500	4,000	3,664	336
Total expenses	1,806,180	1,720,511	1,626,570	93,941
Change in net assets (budgetary basis)	153,820	105,060	81,776	(23,284)
Adjustment to conform to GAAP:				
Principal			(9,588)	(9,588)
Depreciation	-	-	109,056	109,056
Fixed capital outlay	-	-	(21,331)	(21,331)
Excess of revenues over expenditures	153,820	105,060	159,913	54,853
Fund balances at July 1, 2006	312,815	312,815	312,815	-
Fund balances at June 30, 2007	\$ 466,635	\$ 417,875	\$ 472,728	\$ 54,853

See accompanying notes to required supplemental information.

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CAPITAL OUTLAY FUND**

**For the year ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Capital outlay	\$ 134,050	\$ 193,859	\$ 193,859	\$ -
Total revenue	134,050	193,859	193,859	-
Expenditures				
Purchased/contracted services	134,050	193,859	193,859	-
Total expenses	134,050	193,859	193,859	-
Excess of revenues over expenditures	-	-	-	-
Fund balances at July 1, 2006	-	-	-	-
Fund balances at June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to required supplemental information.

**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**June 30, 2007**

**NOTE A - BUDGETARY INFORMATION**

1. Budgetary basis

The School's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Board. Since the budgetary basis differs from generally accepted accounting principles ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. A reconciliation to excess (deficiency) of revenues over (under) expenditures presented in conformity with generally accepted accounting principles is set forth in the adjustments to the required supplementary information. The budget presented for the year ended June 30, 2007 has been amended according to Board procedures. During the fiscal year, expenditures were controlled at the object level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major special revenue fund for which a legally adopted budget exists.

Partners:

John R. Hopkins  
James A. Wright, Jr.  
James S. LaHam  
Ross A. Whitley  
W. Ed Moss, Jr.  
Phillip J. Hayes  
Brian L. Nemeroff

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mater Academy East Charter School, (A Charter School Under Mater Academy, Inc.), (the "School") a component unit of the District School Board of Miami-Dade County, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 29, 2007. 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.

BREVARD OFFICE

8035 Spyglass Hill Rd.

Melbourne, FL 32940

phone 321-757-2020

fax 321-242-4844

ORLANDO OFFICE

480 N. Orlando Ave.

Suite 218

Winter Park, FL 32789

phone 407-644-5811

fax 407-644-6022

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mater Academy East Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Mater Academy East Charter's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mater Academy East Charter School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Mater Academy East Charter School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mater Academy East Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Mater Academy East Charter School in the management letter dated August 29, 2007.

Mater Academy East Charter School's response to our findings identified in our audit is described in the accompanying letter of management response. We did not audit Mater Academy East Charter School's response and, accordingly, we express no opinion on it.

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

August 29, 2007  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

Partners:

John R. Hopkins  
James A. Wright, Jr.  
James S. LaHam  
Ross A. Whitley  
W. Ed Moss, Jr.  
Phillip J. Hayes  
Brian L. Nemeroff

**MANAGEMENT LETTER**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mater Academy East Charter School (A Charter School Under Mater Academy, Inc.), (the "School") a component unit of the District School Board of Miami-Dade County as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated August 29, 2007.

We issued our report on internal control over financial reporting and on compliance and other matters on August 29, 2007. Disclosures in that report, if any, should be considered in conjunction with this management letter.

The discussion required by the rules of the Auditor General follows:

BREVARD OFFICE

8035 Spyglass Hill Rd.  
Melbourne, FL 32940  
phone 321-757-2020  
fax 321-242-4844

ORLANDO OFFICE

480 N. Orlando Ave.  
Suite 218  
Winter Park, FL 32789  
phone 407-644-5811  
fax 407-644-6022

1. See the attached list for corrective actions, if any, that have been taken to address any significant findings and recommendations made in the preceding annual financial audit report, not otherwise addressed in the auditors report pursuant to Rule 10.856(2)(b)(2).
2. In connection with our audit, we determined that the School has not met any of the conditions described in Section 218.503(1)(e), Florida Statutes.
3. There are no deteriorating financial conditions disclosed pursuant to Section 218.39(5), Florida Statutes.
4. See attached recommendations for matters, based on our professional judgment, that were inconsequential to the financial statements considering both quantitative and qualitative factors, including the following:
  - a. Violations of laws, rules, regulations, contracts, and grant agreements or abuse that: (1) have occurred, or are likely to have occurred; and (2) were discovered within the scope of the financial audit.
  - b. Improper expenditures discovered within the scope of the financial audit.
  - c. Deficiencies in internal control of inconsequential effect in relation to the financial statements and other recommendations to improve present financial management, accounting procedures, and internal controls.

5. The official title of the School is *Mater Academy East Charter School*, a Charter School Under Mater Academy, Inc.), which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Act, and Section 1002.33, Florida Statutes.

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

August 29, 2007  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## **PREDECESSORS AUDITORS' FINDINGS**

### **Transactions with affiliated entities**

Transactions with affiliated entities were noted. Certain board members and employees of the School serve as board members of other schools.

Repeated in current year.

### **Post-date checks**

Several checks that had been recorded in the general ledger but not posted to the bank reconciliation.

Repeated in current year as comment 07-4

## **Current Year Recommendations to Improve Financial Management, Accounting Procedures and Internal Control**

### **07-1 Budgetary comparison**

Criteria: Governmental accounting standards require a government to present a budgetary comparison for the general fund and each major special revenue fund for which a budget is legally adopted.

Condition: The School's operating budget does not segregate the School's general fund from its major special revenue funds (i.e. capital outlay). The budget is prepared on a full accrual basis of accounting, instead of modified accrual, therefore, capital expenditures are not budgeted.

Questioned cost: N/A

Cause: Management of the School was not aware of this reporting requirement.

Effect: The School is not in accordance with Government Accounting Standards which require the budgetary comparison be presented on the modified accrual basis of accounting.

Auditors' recommendation: Management prepares a preliminary and amended budget for each general and major special revenue fund.

### **07-2 Financial and Program Cost Accounting and Reporting for Florida Schools**

Criteria: The School's charter agreement with the District School Board of Miami-Dade County requires in Part IV, A, (6), that the School "utilize the state codification of accounts as contained in the Financial and Program Cost Accounting and Reporting for Florida Schools" (Redbook).

Condition: The School does not report its revenues and expenditures by fund in accordance with the Redbook. Although, the School maintains separate cash accounts for most of its special revenue, Title I - Reading Leader salaries were paid from the operating account.

Questioned cost: N/A

Cause: Management of the School was not aware of this reporting requirement.

Effect: Expenditures related to restricted revenue were incorrectly reported in the general fund instead of a special revenue fund.

Auditors' recommendation: Management of the School should account for its special revenue funds separately from its general fund.

### **07-3 School's internal account**

Criteria: The School's internal fund should be reported under the accrual basis of accounting, revenues and the related assets are recorded when earned and expenses are recorded when the obligation is incurred.

Condition: The School's internal funds are recorded on a cash basis of accounting. A complete register of receipts and disbursements is not maintained at the School. Deposit slips and invoices related to the cash transactions were not maintained.

Questioned cost: N/A

Cause: Management was not overseeing the account.

Effect: Risk of misstatement.

Auditors' recommendation: Management should maintain a register of each transaction recorded in the cash account. Management should keep copies of all deposits and invoices related to the account. Management should record the transactions on an accrual basis of accounting.

### **07-4 Post-dating checks**

Criteria: Under the accrual basis of accounting expenses are recognized as they are incurred whether or not cash is received or paid out at that time.

Condition: Invoices were paid subsequent to July 18, 2007, the date the bank reconciliation was prepared, by postdating the check to June 30, 2007.

Questioned cost: N/A

Cause: Management failed to review the accounts payable transactions subsequent to year end.

Effect: Cash and accrued expenses were understated by approximately \$10,000.

Auditors' recommendation: Invoices received after year end should be accrued according to generally accepted accounting principles. Management should institute a policy whereby checks will not be post-dated.

**Mater Academy East Charter School**

September 1, 2007

Ross A. Whitley  
Berman Hopkins Wright & Lallam, CPAs & Associates, LLP  
8035 Spyglass Hill Road  
Melbourne, FL 32940

RE: MANAGEMENT'S RESPONSES TO AUDITOR'S RECOMMENDATIONS

Dear Mr. Whitley:

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

**CURRENT YEAR RECOMMENDATIONS**

**07-1 Recommendation – Budgetary Comparison**

Management prepares a preliminary and amended budget for each general and major special revenue fund.

**Management Response**

Management will follow the auditor's recommendation and prepare a preliminary and amended budget for each general and major special revenue fund.

**07-2 Recommendation – Financial and Program Cost Accounting and Reporting for Florida Schools**

Management of the School should account for its special revenue funds separately from its general fund.

**Management Response**

The School will adopt the auditor's recommendation and account for its special revenue funds separately from its general fund

**07-3 Recommendation – School's Internal Account**

Management should maintain a register of transaction invoices related to the account. Management should record the transactions on an accrual basis of accounting.

**Management Response**

Management agrees with the Auditors recommendation to maintain a register of transaction invoices related to the account and record the transactions on an accrual basis of accounting. Recently, the School held a three-day mandatory workshop on internal accounting procedures for all school site administrators. Presented by a Certified Public

Accountant expert is in accounting for Florida public schools and familiar with the Internal Accounting Procedures Guide of M-DCPS. The administrators received in-service points for this workshop.

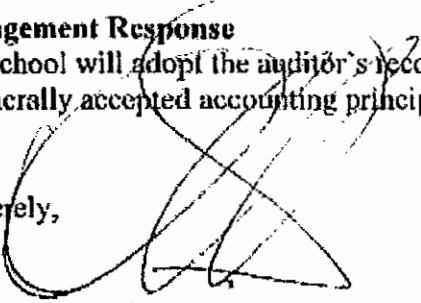
**07-4 Recommendation – Pre-dating Checks**

Invoices received after year end should be accrued according to generally accepted accounting principles. Management should institute a policy whereby checks will not be pre-dated.

**Management Response**

The School will adopt the auditor's recommendation. All invoices are accrued according to generally accepted accounting principles.

Sincerely,



Ana Maria Martinez  
Authorized Signor for Mater Academy, Inc.