

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

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2008**

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

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MATER ACADEMY CHARTER MIDDLE SCHOOL
(A Charter School Under Mater Academy, Inc.)
7901 N.W. 103rd Street
Hialeah Gardens, Florida 33016
(305) 828-1886

2007-2008

BOARD OF DIRECTORS

Anotonia Roca, Esq., Chair
Roberto Blanch
Shannie Sadesky
Juan Garcia
Elizabeth Nuevo

SCHOOL ADMINISTRATION

Judith Marty, Principal

ORGANIZATION'S MANAGEMENT

Academica Dade, LLC
6361 Sunset Dr.
Miami, Florida 33143

Officers :

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

INDEPENDENT AUDITORS' REPORT

Partners:

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

Board of Directors
Mater Academy Charter Middle 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 Charter Middle School, (A Charter School under Mater Academy, Inc), (the "School") a component unit of the District School Board of Miami-Dade County, as of and for the year ended June 30, 2008, which collectively comprises 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.

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Road
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As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2008, and the changes in financial position for the year then ended, and is not intended to be a complete presentation of the Mater Academy, Inc.

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Winter Park, FL
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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 the School as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting standards generally accepted in the United States of America.

www.bermanhopkins.com

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2008, 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 and budgetary comparison information, as listed in the table of contents, are not a required part of the financial statements but are supplemental 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.

August 15, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

The corporate officers of the Mater Academy Charter Middle School (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of the School exceeded its liabilities at June 30, 2008 by \$5,035,382 (net assets).
- At year-end, the School had current assets on hand of \$3,686,749.
- The net assets of the School increased by \$520,333 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, 2008 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 7 - 8 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 9 -12 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 13 - 23 of this report.

Government-Wide Financial Analysis

Assets exceeded liabilities by \$5,035,382 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, 2008 and 2007 follows:

	2008	2007
Cash	\$ 3,488,910	\$ 3,211,110
Due from other schools	-	70,173
Due from other agencies	62,267	10,439
Prepaid expenses	135,172	241,289
Deposits	400	400
Capital assets	1,754,517	1,238,152
Total assets	<u>5,441,266</u>	<u>4,771,563</u>
Accounts payable and accrued liabilities	312,981	237,856
Due to other schools	62,862	-
Noncurrent liability	30,041	18,658
Total liabilities	<u>405,884</u>	<u>256,514</u>
Invested in capital assets, net of related debt	1,754,517	1,237,535
Unrestricted	3,280,865	3,277,514
Total net assets	<u>\$ 5,035,382</u>	<u>\$ 4,515,049</u>

At the end of the fiscal year, the School is able to report positive balances in total net assets. A summary and analysis of the School's revenues and expenses for the years ended June 30, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 531,376	\$ 490,158
Capital outlay funding	968,346	992,000
General revenues	6,641,590	6,062,433
Charges for services	132,045	135,388
Miscellaneous	211,497	114,151
Total revenues	<u>8,484,854</u>	<u>7,794,130</u>
Expenses:		
Component unit activities:		
Basic instruction	3,720,984	3,505,242
Exceptional instruction	1,425	3,326
Media services	-	1,803
Staff development	-	2,286
Instructional staff training services	16,644	-
Board	57,387	89,884
School administration	965,718	503,077
Facilities acquisition and construction	46,268	18,011
Fiscal services	166,538	159,000
Food services	523,995	459,498
Central services	171,712	177,940
Research and development	1,914	-
Information services	434	6,067
Pupil transportation services	12,349	14,051
Operation of plant	2,108,621	1,607,015
Maintenance of plant	160,761	128,825
Interest	-	-
Total expenses	<u>7,954,750</u>	<u>6,676,025</u>
Loss on disposal	9,771	-
Increase in net assets	520,333	1,118,105
Net assets at beginning of year	<u>4,515,049</u>	<u>3,396,944</u>
Net assets at end of year	<u>\$ 5,035,382</u>	<u>\$ 4,515,049</u>

The School's revenue increased by \$690,724 in the current year primarily due to an increase in student enrollment. The School also had an increase in expenses for the year of \$1,278,725. The largest increases in expenses were for basic instruction, school administration, and operation of plant. Basic instruction increased due to salary increases to match the District's salary scale and increased student enrollment. Also, the food service costs were allocated from the charter school for which they share a facility. The financial position of the School has improved during the current year. In addition, the School increased its cash by \$277,800 and had a large increase in capital assets. The School had an increase in its net assets (change in net assets) of \$520,333 for the year.

Lease of Facility

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

Articulation Agreement

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

Capital Improvement Requirements

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

Accomplishments

In 2008, Mater Academy Charter Middle School earned a letter grade of "A", ranking among the top-performing public middle schools 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 Florida Department of Education and the "Superintendent's Platinum Award" for its achievements. The School also met Adequate Yearly Progress under the *No Child Left Behind Act*.

Mater Academy Middle provides its students with a rigorous curriculum, as well as a rich extra-curricular program of activities, including team sports and clubs. This past year, Mater students won several prizes at the Miami-Dade County Science Fair. They also participated in the Geography Bee and the Business Fair.

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 \$3,310,906.

Capital Assets

The School's investment in capital assets as of June 30, 2008 amounts to \$1,754,517 (net of accumulated depreciation). This investment in capital assets include furniture, fixtures, computer equipment, educational materials, audio visual equipment, and computer software.

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 \$644,000 increase in appropriations from the original to final amended budget, due to anticipated increase in students. Actual expenditures exceeded appropriations by \$126,210, due to unanticipated salary and rental expenses.

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 6361 Sunset Drive, Miami, Florida 33143.

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

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 3,488,910
Due from other agencies	62,267
Prepaid expenses	135,172
Deposits	400
Total current assets	3,686,749
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Buildings and fixed equipment	2,718
Furniture, equipment and educational materials	1,293,152
Audio visual materials	6,994
Leasehold improvements	439,387
Computer software	12,266
Total capital assets	1,754,517
Total assets	5,441,266
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	14,444
Accrued payroll and payroll taxes	298,537
Due to other schools	62,862
Noncurrent liabilities:	
Due within one year	30,041
Total liabilities	405,884
NET ASSETS	
Investment in capital assets	1,754,517
Unrestricted	3,280,865
Total net assets	\$ 5,035,382

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

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

STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 3,720,984	\$ -	\$ 257,576	\$ -	\$ (3,463,408)
Exceptional instruction	1,425	-	-	-	(1,425)
Instructional staff training services	16,644	-	-	-	(16,644)
Board	57,387	-	-	-	(57,387)
School administration	965,718	-	-	-	(965,718)
Facilities acquisitions and construction	46,268	-	-	-	(46,268)
Fiscal services	166,538	-	-	-	(166,538)
Food services	523,995	132,045	214,161	-	(177,789)
Central services	171,712	-	-	-	(171,712)
Planning, research, development, and evaluation services	1,914	-	-	-	(1,914)
Information services	434	-	-	-	(434)
Pupil transportation services	12,349	-	-	-	(12,349)
Operation of plant	2,108,621	-	968,346	-	(1,140,275)
Maintenance of plant	160,761	-	59,639	-	(101,122)
Total governmental activities	\$ 7,954,750	\$ 132,045	\$ 1,499,722	\$ -	(6,322,983)
			General revenues:		
			State through local school district		6,641,590
			Interest income		91,831
			Donations		108,698
			Other income		10,968
			Loss on disposal		(9,771)
			Total general revenues		6,843,316
			Change in net assets		520,333
			Net assets at July 1, 2007		4,515,049
			Net assets at June 30, 2008		<u>\$ 5,035,382</u>

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

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,488,910	\$ -	\$ -	\$ 3,488,910
Due from other agencies	-	62,267	-	62,267
Due from other funds	62,267	-	-	62,267
Prepaid expenses	135,172	-	-	135,172
Deposits	400	-	-	400
Total assets	\$ 3,686,749	\$ 62,267	\$ -	\$ 3,749,016
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 14,444	\$ -	\$ -	\$ 14,444
Accrued payroll and payroll taxes	298,537	-	-	298,537
Due to other schools	62,862	-	-	62,862
Due to other funds	-	62,267	-	62,267
Total liabilities	375,843	62,267	-	438,110
 FUND BALANCE				
Unreserved	3,310,906	-	-	3,310,906
Total fund balances	3,310,906	-	-	3,310,906
Total liabilities and fund balance	\$ 3,686,749	\$ 62,267	\$ -	\$ 3,749,016

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

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

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

June 30, 2008

Fund balances - total governmental funds		\$ 3,310,906
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The net assets reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Buildings and fixed equipment, net of \$2,562 accumulated depreciation	\$ 2,718		
Furniture, equipment and educational materials, net of \$1,169,483 accumulated depreciation	1,293,152		
Audio visual materials, net of \$9,048 accumulated depreciation	6,994		
Leasehold improvements, net of \$42,442 accumulated depreciation	439,387		
Computer software, net of \$98,837 accumulated depreciation	<u>12,266</u>		
Total capital assets			1,754,517

Long-term liabilities are not due and payable in the current period and therefore not reported in the funds. Those liabilities consist of:

Compensated absences		<u>(30,041)</u>
Total net assets of governmental activities		<u><u>\$ 5,035,382</u></u>

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

**Mater Academy Charter Middle 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, 2008

	General Fund	Capital Outlay Fund	Other Governmental funds	Total Governmental Funds
Revenues				
Federal passed through state	\$ 59,639	\$ -	\$ 214,161	\$ 273,800
Federal passed through local school district	-	-	257,576	257,576
State passed through local school district	6,641,590	968,346	-	7,609,936
Charges for services	-	-	132,045	132,045
Interest income	91,831	-	-	91,831
Donations	108,698	-	-	108,698
Miscellaneous income	10,968	-	-	10,968
Total revenues	<u>6,912,726</u>	<u>968,346</u>	<u>603,782</u>	<u>8,484,854</u>
Expenditures				
Current:				
Basic instruction	3,122,282	-	257,576	3,379,858
Exceptional instruction	1,425	-	-	1,425
Instructional staff training services	16,644	-	-	16,644
Board	57,387	-	-	57,387
School administration	965,718	-	-	965,718
Facility acquisition	2,277	-	-	2,277
Fiscal services	166,538	-	-	166,538
Food services	23,890	-	486,119	510,009
Central services	171,712	-	-	171,712
Planning, research, development and evaluation services	1,914	-	-	1,914
Information services	434	-	-	434
Pupil transportation services	12,349	-	-	12,349
Operations of plant	1,079,812	968,346	-	2,048,158
Maintenance of plant	129,656	-	-	129,656
Debt service:				
Principal	617	-	-	617
Fixed capital outlay	1,004,806	-	-	1,004,806
Total expenditures	<u>6,757,461</u>	<u>968,346</u>	<u>743,695</u>	<u>8,469,502</u>
Excess (deficiency) of revenues over (under) expenditures	<u>155,265</u>	<u>-</u>	<u>(139,913)</u>	<u>15,352</u>
Other financing sources (uses):				
Transfers in	-	-	139,913	139,913
Transfers out	(139,913)	-	-	(139,913)
Total other financing sources (uses)	<u>(139,913)</u>	<u>-</u>	<u>139,913</u>	<u>-</u>
Net change in fund balances	15,352	-	-	15,352
Fund balances at July 1, 2007	3,295,554	-	-	3,295,554
Fund balances at June 30, 2008	<u>\$ 3,310,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,310,906</u>

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

**Mater Academy Charter Middle 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, 2008

Net change in fund balances - total government funds \$ 15,352

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	\$ 1,004,806	
Less depreciation	478,671	
Less loss on disposal	<u>9,771</u>	516,364

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. 617

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. (12,000)

Change in net assets of governmental activities \$ 520,333

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

Mater Academy Charter Middle 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 Hialeah Gardens, Florida serving children from sixth through eighth grade. The governing body of the School is the Board of Directors (the "Board"), which is composed of five members. The financial information presented is that of the 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 District School Board of Miami-Dade County (the "District"). The current charter is effective until June 30, 2013 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. The School is funded by the District and in addition, receives government grants.

These financial statements are for the year ended June 30, 2008, when 1,110 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, are 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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 cash on hand, checking accounts and all highly liquid investments with a maturity of three months or less.

5. Due from other schools, governments or agencies

Amounts due to the School by other schools, 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.

6. Interfund receivables, payables and transfers

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.

Transfers are used to move unrestricted general fund revenues to finance programs (i.e. national school lunch program) that the government must account for in other funds.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. 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	10-15
Leasehold improvements	10-15
Furniture, equipment and educational materials	5
Audio visual materials	5
Computer software	3

8. 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(17), 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 Charter Middle School
(A Charter School Under Mater Academy, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid expenses in both the government-wide and fund financial statements.

10. Compensated absences

The School grants a specific number of days of sick/personal leave to its employees. 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 sick/personal days, at year-end, may do so. An employee can cash out their sick/personal pay 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 days. 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 does not have a formal policy regarding custodial credit risk, however it mitigates the custodial risk for deposits by only doing business with large national banks. At June 30, 2008, the School had a bank balance of \$123,074. Of the bank balance, \$23,074 was not insured by the federal deposit insurance.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate.

At June 30, 2008, the School's investments included the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date less than one month</u>
Repurchase agreement	\$ 3,611,000	\$ 3,611,000

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 OTHER AGENCIES

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

Capital outlay \$ 62,267

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, 2008:

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital Assets				
Buildings and fixed equipment	\$ 5,280	\$ -	\$ -	\$ 5,280
Furniture, equipment and educational materials	1,770,415	692,220	-	2,462,635
Audio visual materials	16,042	-	-	16,042
Leasehold improvements	169,243	312,586	-	481,829
Computer software	122,827	-	(11,724)	111,103
Total assets depreciated	<u>2,083,807</u>	<u>1,004,806</u>	<u>(11,724)</u>	<u>3,076,889</u>
Less accumulated depreciation:				
Buildings and fixed equipment	1,506	1,056	-	2,562
Furniture, equipment and educational materials	746,651	422,832	-	1,169,483
Audio visual materials	5,840	3,208	-	9,048
Leasehold improvements	18,912	23,530	-	42,442
Computer software	72,746	28,045	(1,954)	98,837
Total accumulated depreciation	<u>845,655</u>	<u>478,671</u>	<u>(1,954)</u>	<u>1,322,372</u>
Capital assets, net	<u><u>\$ 1,238,152</u></u>	<u><u>\$ 526,135</u></u>	<u><u>\$ (9,770)</u></u>	<u><u>\$ 1,754,517</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE E - CAPITAL ASSETS (continued)

Depreciation expense for the year ended June 30, 2008 was charged to functions of the School as follows:

Basic instruction	\$	329,126
Facility acquisition		43,991
Food service		13,986
Operation of plant		60,463
Maintenance of plant		31,105
		31,105
	\$	478,671

NOTE F - LONG-TERM DEBT

1. Changes in long-term debt

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

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due within one year
Compensated absences	\$ 18,041	\$ 30,041	\$ 18,041	\$ 30,041	\$ 30,041
Capital lease payable	617	-	617	-	-
	\$ 18,658	\$ 30,041	\$ 18,658	\$ 30,041	\$ 30,041

2. Capital leases

The School acquired kitchen equipment under capital leases payable in monthly installments of approximately \$617, which matured during 2008, and was collateralized by the related equipment.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G - CONCENTRATIONS

Revenue sources

As stated in Note A-8, 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
The District School Board of Miami-Dade County	
Base funding	\$ 4,630,644
Safe schools	37,342
Exceptional student education guaranteed allocation	207,541
Supplemental academic instruction	405,025
Class size reduction funds	1,048,204
Discretionary millage	465,738
Discretionary lottery	51,208
Declining enrollment	31,596
Instructional materials allocation	109,171
Over 500 FTE capital outlay	(158,791)
Administrative fee withheld (5%)	(193,249)
Other school board deductions	(1,650)
Subtotal	6,632,779
Capital outlay	968,346
Teacher lead program	8,811
Title I - Schoolwide	257,576
Total from the District School Board of Miami-Dade County	7,867,512
Other revenue	
FEMA reimbursements	59,639
Student lunch receipts	132,045
National school lunch program	214,161
Interest	91,831
Donations	108,698
Other revenue	10,968
	\$ 8,484,854

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 June 30, 2009, with an option to renew by the School. During the year ended June 30, 2008, the School incurred \$499,613 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 H G II, LLC, as landlord, on April 2004 for its main campus which is shared with another charter school under Mater Academy, Inc. The payments for this lease are allocated 44%, or \$1,073,405 to the School and 56% to the other charter school. Annual total payments for all schools are approximately \$2,440,000 (\$19.91 per square foot, for 120,000 square feet 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.

The School entered into a lease agreement with Duke School Properties, LLC, as landlord, for an additional building where the School is located. Terms of the lease are to pay \$23.75 per square foot, for 33,600 square feet. The payments for this lease are allocated 44% to the School and 56% to the other charter school. Annual payments total payments for all schools are approximately \$815,494 adjusted annually based on the Consumer Price Index (CPI) and continue through August 2026 with an option to renew for an additional five-year term. Rent payments for the year ended June 30, 2008 totaled \$358,817.

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE H - COMMITMENTS AND CONTINGENCIES (continued)

2. Operating leases (continued)

The School also leases various office equipment with monthly payments ranging from \$128 to \$508 through 2008. Total rental payments associated with equipment for the year ended June 30, 2008 were \$13,050.

Future minimum payments under the operating leases are as follows:

<u>Fiscal years</u>	
2009	\$ 1,462,781
2010	1,462,781
2011	1,462,781
2012	1,462,781
2013	1,462,781
2014-2018	7,313,905
2019-2023	7,313,905
2024-2027	<u>2,783,029</u>
	<u>\$ 24,724,744</u>

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 (the "management company") 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 \$499,613 for the year ending June 30, 2008.

2. Operating lease

School Development H G II, LLC and Duke Schools Properties, LLC owns property which is leased to the School. Presently, members of each of these companies 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 these leases amounts to \$1,432,222. The lease does not contain any provision as to the management of the School.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE I - RELATED PARTY TRANSACTIONS (continued)

3. Due to other schools

The School's facility is shared with Mater Academy Charter High School and Mater Performing Arts and Entertainment Academy (See Note H-1), 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 to these schools and other schools operated by Mater Academy, Inc.

The amounts due to schools operated by Mater Academy, Inc. consist of the following at June 30, 2008:

Mater Academy Charter High School	<u>\$ 62,862</u>
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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 Charter Middle 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, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
FTE	\$ 5,883,000	\$ 6,630,000	\$ 6,632,779	\$ 2,779
Teacher lead program	-	-	8,811	8,811
Other revenue	<u>90,000</u>	<u>90,000</u>	<u>261,365</u>	<u>171,365</u>
Total revenue	5,973,000	6,720,000	6,902,955	182,955
Expenses				
Salaries	2,581,400	3,051,499	3,127,164	(75,665)
Employee benefits	615,000	615,000	615,806	(806)
Purchased/contract services	1,100,000	1,350,000	1,268,142	81,858
Rentals	500,000	310,000	507,531	(197,531)
Materials and supplies	206,000	320,000	226,905	93,095
Depreciation	450,000	450,000	478,671	(28,671)
Other	<u>20,000</u>	<u>20,000</u>	<u>18,490</u>	<u>1,510</u>
Total expenses	<u>5,472,400</u>	<u>6,116,499</u>	<u>6,242,709</u>	<u>(126,210)</u>
Change in net assets (budgetary basis)	<u>\$ 500,600</u>	<u>\$ 603,501</u>	<u>\$ 660,246</u>	<u>\$ 56,745</u>

See accompanying notes to required supplemental information.

**Mater Academy Charter Middle 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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Capital outlay	\$ 805,600	\$ 839,800	\$ 968,346	\$ 128,546
Total revenue	805,600	839,800	968,346	128,546
Expenditures				
Purchased/contracted services	805,600	839,800	968,346	(128,546)
Total expenses	805,600	839,800	968,346	(128,546)
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to required supplemental information.

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

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2008

NOTE A - BASIS OF ACCOUNTING

1. Budgetary basis

The School's annual budget is adopted for the entire operations at the full-accrual 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. The budget presented for the year ended June 30, 2008 has been amended according to Board procedures. During the fiscal year, expenditures were controlled at the fund 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.

2. Reconciliation of budgetary comparison information to GAAP information

A reconciliation to excess of revenues over expenditures presented in conformity with generally accepted accounting principles for the general fund is set forth as follows:

Change in net assets (budgetary basis)	\$ 660,246
Adjustment to conform to GAAP:	
Principal payments on capital leases	(617)
Changes in compensated absences	12,000
Purchase of capital outlay expenditures	(1,004,806)
Depreciation expense on capital assets	478,671
Loss on disposal of fixed assets	9,771
Excess of revenues over expenditures (GAAP Basis)	<u>155,265</u>
Other financing uses	
Transfers out to special revenue funds	<u>(139,913)</u>
Net change in fund balance	15,352
Fund balances at July 1, 2007	3,295,554
Fund balances at June 30, 2008	<u><u>\$ 3,310,906</u></u>

3. Excess of expenditures over appropriations

The School's general fund expenditures exceeded its budget by \$126,210. The over-expenditures are due to an unanticipated increase in depreciation expense due to the large amount of capital assets purchased in the current year. The over-expenditure was funded by the additional revenues received. The School's capital outlay expenditures exceeded its budget by \$128,546, which was funded by additional capital outlay revenues received.

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

Partners:

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

Board of Directors
Mater Academy Charter Middle 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 Charter School Middle School, (A Charter School Under Mater Academy, inc), (the "School") a component unit of the District School Board of Miami-Dade County, as of and for the year ended June 30, 2008, which collectively comprise Mater Academy Charter Middle School's basic financial statements and have issued our report thereon dated August 15, 2008. 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

8035 Spyglass Hill
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In planning and performing our audit, we considered Mater Academy Charter Middle 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 Charter Middle School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mater Academy Charter Middle School's internal control over financial reporting.

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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 entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Mater Academy Charter Middle School's financial statements is more than inconsequential will not be prevented or detected by Mater Academy Charter Middle School's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by Mater Academy Charter Middle 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 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 Charter Middle 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 in the management letter dated August 15, 2008.

Mater Academy Charter Middle 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 Charter Middle School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Mater Academy Charter Middle School's management, Board of Directors, others within the entity, the District School Board of Miami-Dade County, the State of Florida Office of the Auditor General and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

August 15, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

Partners:

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

Board of Directors
Mater Academy Charter Middle 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 Charter Middle School (A Charter School under Mater Academy, Inc.), (the "School") a component unit of the District School Board of Miami-Dade County as of and for the fiscal year ended June 30, 2008 and have issued our report thereon dated August 15, 2008.



We issued our report on internal control over financial reporting and on compliance and other matters on August 15, 2008. 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:

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 Mater Academy Charter Middle School has not met any of the conditions described in Section 218.503(1), Florida Statutes.
3. We have applied financial assessment procedures pursuant to the rules of the Auditor General 10.855(10). There are no deteriorating financial conditions disclosed pursuant to Section 218.39(5), Florida Statutes.
4. See the attached list for any recommendations to improve the school's financial management.
5. See the attached list for any violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential.

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6. See attached recommendations for matters, based on our professional judgment, that were inconsequential to the determination of financial statement amounts 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 or illegal acts that would have an immaterial effect on the financial statements.
 - c. Control deficiencies that are not significant deficiencies, including, but not limited to:
 - Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
 - Failures to properly record financial transactions.
 - Inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

7. The official title of the School is *Mater Academy Charter Middle*, 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 Mater Academy Charter Middle School's management, Board of Directors, others within the entity, the District School Board of Miami-Dade County, the State of Florida Office of the Auditor General and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

August 15, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

PREDECESSORS AUDITORS' FINDINGS - Corrected

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.

Status as of June 30, 2007 – Repeated.

Status as of June 30, 2008 – The issue has been resolved.

Prior Year Recommendations - Corrected

07-3 Prepaid rent

Criteria: Under the accrual basis of accounting, rent paid in advance should be classified as a prepaid expense.

Condition: Prepaid rent is maintained as an offset to accounts payable.

Questioned cost: N/A

Cause: Management failed to make an entry at year end to reclass the payment or supply the auditors with reclassification.

Effect: Accounts payable and prepaid expenses were understated by approximately \$95,000.

Auditors' recommendation: Management performs a reconciliation of each balance sheet account to ensure year end adjustments are made timely.

As of June 30, 2008 - the above issue has been resolved.

07-4 Deposits

Criteria: Under the accrual basis on accounting, deposits made after year end but applicable to the current fiscal year should be recorded as a receivable.

Condition: Reimbursements for salaries from affiliated schools of approximately \$70,173 were not recorded as a receivable.

Questioned cost: N/A

Cause: Management failed to reconcile bank deposits to their correct general ledger period.

Effect: Expenses were overstated by approximately \$70,173.

Auditors' recommendation: Management reconcile deposits recorded to the period for which they apply.

As of June 30, 2008 - the above issue has been resolved.

Prior Year Recommendations - Repeated

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.

Status as of June 30, 2008:

Criteria: Financial and Program Cost Accounting and Reporting for Florida Schools ("Redbook") requires the budgetary comparison be presented on the modified accrual basis of accounting by fund and is to be amended when necessary.

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. In addition, the School did not amend their budget to reflect additional expenditures incurred, thus over-expended their budget in both the general fund and capital outlay fund.

Effect: The School is not in compliance with Redbook and their actual expenditures exceed their budgeted appropriations.

Auditor recommendation: We recommend that management prepares budgets for all major funds. We also recommend that the board amends their budgets when appropriate. The School has the ability to amend their budget within 60 days after their fiscal year end.

Prior Year Recommendations - Repeated

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.

Status as of June 30, 2008:

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.

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

Auditor recommendation: We recommend that management of the School budget and account for its special revenue funds separately from its general fund.

Current Year Recommendations

08-01 Capitalization of fixed assets

Criteria: The School's capitalization policy calls for capitalization of property and equipment additions exceeding \$500 and an estimated useful life of more than two years.

Condition: When reviewing the fixed capital accounts for the School, we noted that there were items under the capitalization threshold that were being capitalized.

Cause: The School did not properly identify items that should not have been capitalized.

Effect: Capital asset accounts were overstated while supply expenditure accounts were understated by approximately \$58,000.

Auditors' recommendation: We recommend that the School review the expenditures of supplies and various repair and maintenance transactions to ensure that the amounts should not be capitalized.

Mater Academy Charter Middle School

September 3, 2008

Ross A. Whitley
Berman Hopkins Wright & LaHam, 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:

PRIOR 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.

CURRENT YEAR RECOMMENDATIONS

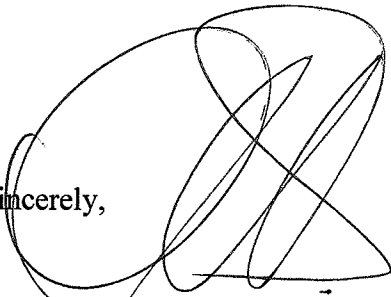
08-01 Recommendation – Capitalization of Fixed Assets

We recommend that the School review the expenditures of supplies and various repair and maintenance transactions to ensure that the amounts should not be capitalized.

Management Response

Management will follow the auditor's recommendation.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Ana Maria Martinez
Authorized Signor for Mater Academy, Inc.