

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

**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 EAST CHARTER 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  
Shannine Sadesky  
Juan Garcia  
Elizabeth Nuevo

**SCHOOL ADMINISTRATION**

Beatriz Riera, Principal

**ORGANIZATION'S MANAGEMENT**

Academica Dade, LLC  
6361 Sunset Drive  
Miami, Florida 33143

Officers :

Fernando Zulueta, President  
Magdalena Fresen, Vice President, Treasurer  
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 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, as of and for the year ended June 30, 2008, which collectively comprises Mater Academy East Charter School's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Mater Academy East Charter 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  
Melbourne, FL 32940  
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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, 2008, and the changes in financial position for the year then ended, and is not intended to be a complete presentation of Mater Academy, Inc.

480 N. Orlando Ave.  
Suite 218  
Winter Park, FL  
32789  
407.644.5811  
FAX 407.644.6022

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 information of Mater Academy East Charter 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](http://www.bermanhopkins.com)

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2008, on our consideration of Mater Academy East Charter 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 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, 2008.

Because the information contained in the Management Discussion and Analysis (MD&A) is intended to highlight significant transactions, event and conditions, it should be considered in conjunction with the basic financial statements found on pages 14 - 24

### Financial Highlights

- The assets of the School exceeded its liabilities at June 30, 2008 by \$809,334 (net assets).
- At year-end, the School had current assets on hand of \$667,904.
- The net assets of the School increased by \$66,992 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 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 and each major 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 - 24 of this report.

**Government-Wide Financial Analysis**

Assets exceeded liabilities by \$809,334 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:

	<b>2008</b>	<b>2007</b>
Cash and cash equivalents	\$ 490,132	\$ 394,308
Due from other schools	500	26,497
Due from other agencies	64,106	78,108
Other receivables	866	2,488
Prepaid expenses	106,875	46,330
Deposits	5,425	5,425
Capital assets	316,631	284,683
Total assets	<u>984,535</u>	<u>837,839</u>
Accrued payroll and payroll taxes	118,177	62,011
Due to other schools	-	6,123
Deferred revenues	33,580	-
Noncurrent liabilities:		
Due within one year	15,380	27,363
Due in more than one year	8,064	-
Total liabilities	<u>175,201</u>	<u>95,497</u>
Invested in capital assets, net of related debt	301,827	263,139
Unrestricted	<u>507,507</u>	<u>479,203</u>
Total net assets	<u>\$ 809,334</u>	<u>\$ 742,342</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, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 327,103	\$ 274,169
Capital outlay funding	202,160	193,859
General revenues	2,092,096	1,647,648
Charges for services	372,018	10,699
Miscellaneous	51,332	10,505
Total revenues	<u>3,044,709</u>	<u>2,136,880</u>
Expenses:		
Component unit activities:		
Basic instruction	1,264,473	1,009,497
Exceptional instruction	2,655	2,009
Instructional staff training services	3,488	3,066
Board	21,074	15,974
School administration	446,453	305,351
Facilities acquisition and construction	31,455	32,004
Fiscal services	53,166	64,641
Food services	203,197	96,991
Other central services	48,054	21,256
Staff services	-	5,712
Information services	-	2,409
Transportation	2,270	-
Operation of plant	793,996	488,977
Maintenance of plant	64,295	10,427
Before and after care	43,141	-
Total expenses	<u>2,977,717</u>	<u>2,058,314</u>
Increase in net assets	66,992	78,566
Net assets at beginning of year	<u>742,342</u>	<u>663,776</u>
Net assets at end of year	<u>\$ 809,334</u>	<u>\$ 742,342</u>

Mater Academy East Charter School's revenue increased by \$907,829 in the current year primarily due to an increase of 51 students. Charges for service increased significantly, as the facility was receiving usage fee from Mater East Middle, Gibson, and Mater East High School. The School also had an increase of expenses for the year of \$919,403. The largest increases in expenses were for instructional staff training services, operation of plant 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 \$66,992 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 2008, Mater Academy East earned a letter grade of "A" for the fourth consecutive year, and was the 5th highest-performing public elementary school in Miami-Dade County, based on the points it received under the State of Florida Accountability Program. Mater Academy East's FCAT Science score was the highest in the entire school district, while the Writing score was the 3rd highest score. The School received a "School Recognition Award" from the State of Florida and the "Superintendent's Platinum Award" for its achievements.

In 2007, 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 state-wide recognition when it received an award from the United Way Campaign for its fundraising efforts.

**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 \$516,147.

**Capital Assets**

The School's investment in capital assets as of June 30, 2008 amounts to \$316,631 (net of accumulated depreciation). This investment in capital assets include buildings and fixed equipment, furniture, fixtures, equipment, educational materials, and audio visual materials.

**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 \$65,000 increase in appropriations from the original to final amended budget.

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

**STATEMENT OF NET ASSETS**

**June 30, 2008**

	Governmental Activities
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 490,132
Due from other schools	500
Due from other agencies	64,106
Other receivables	866
Prepaid expenses	106,875
Deposits	5,425
Total current assets	667,904
<b>CAPITAL ASSETS</b>	
Capital assets, net of accumulated depreciation	
Buildings and fixed equipment	15,527
Furniture, fixtures, equipment, and educational materials	301,008
Audio visual materials	96
Total capital assets	316,631
Total assets	984,535
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accrued payroll and payroll taxes	118,177
Deferred revenue	33,580
Noncurrent liabilities:	
Due in one year	15,380
Due in more than one year	8,064
Total liabilities	175,201
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	301,827
Unrestricted	507,507
Total net assets	\$ 809,334

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, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 1,264,473	\$ -	\$ 146,208	\$ -	\$ (1,118,265)
Exceptional instruction	2,655	-	-	-	(2,655)
Instructional staff training services	3,488	-	-	-	(3,488)
Board	21,074	-	-	-	(21,074)
School administration	446,453	-	-	-	(446,453)
Facility acquisition and construction	31,455	-	-	-	(31,455)
Fiscal services	53,166	-	-	-	(53,166)
Food services	203,197	41,079	177,700	-	15,582
Other central services	48,054	-	-	-	(48,054)
Transportation	2,270	-	-	-	(2,270)
Operation of plant	793,996	286,613	202,160	-	(305,223)
Maintenance of plant	64,295	-	-	-	(64,295)
Before and after care	43,141	44,326	3,195	-	4,380
Total governmental activities	<u>\$ 2,977,717</u>	<u>\$ 372,018</u>	<u>\$ 529,263</u>	<u>\$ -</u>	<u>(2,076,436)</u>
			General revenues:		
			State through local school district	2,092,096	
			Interest income	7,327	
			Other income	44,005	
			Total general revenues	<u>2,143,428</u>	
			Change in net assets	66,992	
			Net assets at July 1, 2007	<u>742,342</u>	
			Net assets at June 30, 2008	<u>\$ 809,334</u>	

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, 2008**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 490,132	\$ -	\$ -	\$ 490,132
Due from other schools	500	-	-	500
Due from other agencies	-	64,106	-	64,106
Due from other funds	64,106	-	-	64,106
Other receivables	866	-	-	866
Prepaid expenses	106,875	-	-	106,875
Deposits	5,425	-	-	5,425
	<u>\$ 667,904</u>	<u>\$ 64,106</u>	<u>\$ -</u>	<u>\$ 732,010</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accrued payroll and payroll taxes	\$ 118,177	\$ -	\$ -	\$ 118,177
Deferred revenue	33,580	-	-	33,580
Due to other funds	-	64,106	-	64,106
	<u>151,757</u>	<u>64,106</u>	<u>-</u>	<u>215,863</u>
 <b>FUND BALANCE</b>				
Unreserved	516,147	-	-	516,147
	<u>516,147</u>	<u>-</u>	<u>-</u>	<u>516,147</u>
Total fund balances	516,147	-	-	516,147
Total liabilities and fund balance	<u>\$ 667,904</u>	<u>\$ 64,106</u>	<u>\$ -</u>	<u>\$ 732,010</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 BALANCE SHEET - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS**

**June 30, 2008**

Fund balances - total governmental funds	\$	516,147
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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 \$144,490 accumulated depreciation	\$	15,527
Furniture, fixtures, equipment and educational materials, net of \$306,210 accumulated depreciation		301,008
Audio visual materials, net of \$868 accumulated depreciation		<u>96</u>

Total capital assets		316,631
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Long-term liabilities are not due and payable in the current period and therefore not reported in the funds. Those liabilities consist of accrued compensated absences and a capital lease payable.

Compensated absences	(8,640)	
Capital leases	<u>(14,804)</u>	<u>(23,444)</u>
Total net assets of governmental activities		<u>\$ 809,334</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, 2008**

	General Fund	Capital Outlay Fund	Other Governmental funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state	\$ 3,195	\$ -	\$ 177,700	\$ 180,895
Federal passed through local school district	-	-	146,208	146,208
State passed through local school district	2,092,096	202,160	-	2,294,256
Student lunches	-	-	41,079	41,079
Facility usage fee	286,613	-	-	286,613
Care program fees	44,326	-	-	44,326
Interest income	7,327	-	-	7,327
Other income	44,005	-	-	44,005
Total revenues	<u>2,477,562</u>	<u>202,160</u>	<u>364,987</u>	<u>3,044,709</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	1,042,705	-	146,208	1,188,913
Exceptional instruction	2,655	-	-	2,655
Instructional staff training services	3,488	-	-	3,488
Board	21,074	-	-	21,074
School administration	446,453	-	-	446,453
Facilities acquisition	525	-	-	525
Fiscal services	53,166	-	-	53,166
Food services	-	-	193,211	193,211
Other central services	48,054	-	-	48,054
Pupil personnel services	2,270	-	-	2,270
Operation of plant	583,048	202,160	-	785,208
Maintenance of plant	52,758	-	-	52,758
Before and after care	43,141	-	-	43,141
Fixed capital outlay	165,928	-	-	165,928
<b>Debt service:</b>				
Principal	6,740	-	-	6,740
Total expenditures	<u>2,472,005</u>	<u>202,160</u>	<u>339,419</u>	<u>3,013,584</u>
Excess of revenues over expenditures	5,557	-	25,568	31,125
<b>Other financing sources (uses):</b>				
Transfers in	37,862	-	-	37,862
Transfers out	-	-	(37,862)	(37,862)
Total other financing sources (uses)	<u>37,862</u>	<u>-</u>	<u>(37,862)</u>	<u>-</u>
Net change in fund balances	43,419	-	(12,294)	31,125
Fund balances at July 1, 2007	472,728	-	12,294	485,022
Fund balances at June 30, 2008	<u>\$ 516,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 516,147</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, 2008**

Net change in fund balances - total government funds	\$	31,125
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	\$	165,928
Less depreciation	<u>(133,979)</u>	31,949
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.		
		6,740
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.		
		<u>(2,822)</u>
Change in net assets of governmental activities	<u>\$</u>	<u>66,992</u>

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, 2008**

**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 five 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, 2008, when 330 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, 2008**

**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 are 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, 2008**

**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 governments, agencies or schools

Amounts due to the School by other governments, agencies or schools 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, 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.

7. Prepaid expenses and deposits

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, 2008**

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**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, 2008, the School had a bank balance of \$228,597. Of the bank balance, \$128,597 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	<u>\$ 210,000</u>	<u>\$ 210,000</u>

**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.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE D - DUE FROM AGENCIES**

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

Capital outlay	<u><u>\$ 64,106</u></u>
----------------	-------------------------

**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	Disposals	Balance at June 30, 2008
Capital Assets				
Buildings and fixed equipment	\$ 160,017	\$ -	\$ -	\$ 160,017
Furniture, fixtures, equipment and educational materials	441,290	165,928	-	607,218
Audio visual materials	964	-	-	964
Total assets depreciated	<u>602,271</u>	<u>\$ 165,928</u>	<u>\$ -</u>	<u>768,199</u>
Less accumulated depreciation:				
Buildings and fixed equipment	113,559	\$ 30,931	\$ -	144,490
Furniture, fixtures, equipment and educational materials	203,355	102,855	-	306,210
Audio visual materials	675	193	-	868
Total accumulated depreciation	<u>317,589</u>	<u>\$ 133,979</u>	<u>\$ -</u>	<u>451,568</u>
Capital assets, net	<u><u>\$ 284,682</u></u>			<u><u>\$ 316,631</u></u>

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

Basic instruction	\$ 72,738
Facility acquisition	30,930
Food service	9,986
Plant	8,788
Maintenance of plant	<u>11,537</u>
	<u><u>\$ 133,979</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE F - LONG-TERM DEBT**

The School acquired kitchen equipment capital leases payable in monthly installments of approximately \$613 maturing in 2010, and collateralized by the related equipment.

The following is a summary of changes in long-term debt for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due within one year
Compensated absences	\$ 5,818	\$ 8,640	\$ 5,818	\$ 8,640	\$ 8,640
Capital lease payable	21,544	-	6,740	14,804	6,740
	<u>\$ 27,362</u>	<u>\$ 8,640</u>	<u>\$ 12,558</u>	<u>\$ 23,444</u>	<u>\$ 15,380</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	18,380
	<u>\$ 18,380</u>

The future minimum lease obligations and the net present value of the minimum lease payments, as of June 30, 2008, were as follows:

	2008
Total minimum lease payments	\$ 16,275
Less: amount representing interest	1,471
Present value of future minimum lease payments	<u>\$ 14,804</u>

**Mater Academy East Charter 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-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	\$ 1,447,324
Safe schools	10,926
Exceptional student education guaranteed allocation	1,048
Supplemental academic instruction	126,595
Class size reduction funds	338,457
Discretionary millage	145,572
Discretionary lottery	16,006
Declining enrollment	9,876
Instructional materials allocation	31,943
Administration fee withheld (5%)	(107,147)
Other school district deductions	<u>(1,650)</u>
Subtotal	2,018,950
Capital outlay	202,160
Teacher lead program	4,539
Title I - Schoolwide	96,570
Title I - Reading leader	49,638
Walton grant	40,700
School Recognition Award Income	<u>27,907</u>
Total from Miami-Dade County Public School District:	2,440,464
Other revenue	
National school lunch program	177,700
Other lunch receipts	41,079
Donations	35,487
FEMA reimbursements	3,195
Care program fees	44,326
Interest income	7,327
Facility usage fee	286,613
Other income	<u>8,518</u>
	<u><u>\$ 3,044,709</u></u>

**Mater Academy East Charter 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 on June 30, 2009, with an option to renew by the School. During the year ended June 30, 2008, the School incurred \$148,622, 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. Annual total payments are approximately \$468,461 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,		
2009	\$	468,461
2010		468,461
2011		468,461
2012		468,461
2013		468,461
2014-2018		2,342,305
2019-2023		2,342,305
2024-2025		546,538
	\$	<u>7,573,453</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**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 \$148,622 for the year ending June 30, 2008.

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 \$468,461. The lease does not contain any provision as to the management of the School.

3. Due 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 International Elementary	<u>\$</u> <u>500</u>
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**Mater Academy East Charter School  
(A Charter School Under Mater Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**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, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
FTE	\$ 2,320,000	\$ 2,050,840	\$ 2,018,750	\$ (32,090)
Facility usage income	-	305,072	286,613	(18,459)
Interest income	-	-	7,327	7,327
Teacher lead program	-	40,000	4,539	(35,461)
Other revenue		165,000	160,333	(4,667)
Total revenues	<u>2,320,000</u>	<u>2,560,912</u>	<u>2,477,562</u>	<u>(83,350)</u>
Expenses				
Salaries	1,100,000	1,130,000	1,126,189	3,811
Employee benefits	245,000	240,000	237,970	2,030
Purchased/contract services	758,500	810,000	806,021	3,979
Materials and supplies	50,000	138,985	70,336	68,649
Depreciation	20,000	122,000	133,979	(11,979)
Other	50,000	60,000	61,643	(1,643)
Total expenses	<u>2,223,500</u>	<u>2,500,985</u>	<u>2,436,138</u>	<u>64,847</u>
Change in net assets (budgetary basis)	<u>\$ 96,500</u>	<u>\$ 59,927</u>	<u>\$ 41,424</u>	<u>\$ (18,503)</u>

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, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Capital outlay	\$ 272,000	\$ 205,015	\$ 202,160	\$ (2,855)
Total revenues	<u>272,000</u>	<u>205,015</u>	<u>202,160</u>	<u>(2,855)</u>
Expenditures				
Purchased/contracted services	<u>272,000</u>	<u>205,015</u>	<u>202,160</u>	<u>2,855</u>
Total expenses	<u>272,000</u>	<u>205,015</u>	<u>202,160</u>	<u>2,855</u>
Excess of revenues over expenditures	-	-	-	-
Fund balances at July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at June 30, 2008	<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, 2008**

**NOTE A - BUDGETARY INFORMATION**

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)	\$ 41,424
Adjustment to conform to GAAP:	
Principal payments on capital leases	(6,740)
Changes in compensated absences	2,822
Purchase of capital outlay expenditures	(165,928)
Depreciation expense on capital assets	<u>133,979</u>
Excess of revenues over expenditures (GAAP Basis)	5,557
Other financing sources	
Transfers in	<u>37,862</u>
Net change in fund balance	43,419
Fund balances at July 1, 2007	<u>472,728</u>
Fund balances at June 30, 2008	<u><u>\$ 516,147</u></u>

**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**

**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 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, 2008, which collectively comprises the 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**

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FAX 321.242.4844

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 School'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.

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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 East Charter School's financial statements is more than inconsequential will not be prevented or detected by the Mater Academy East Charter 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 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 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 in the management letter dated August 15, 2008.

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 Mater Academy East Charter 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 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, 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 dated 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 the School has not met one 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. Based on our professional judgment, see attached recommendations documenting matters that were inconsequential to the determination of the financial statement amounts considering both quantitative and qualitative factors, including, but not limited to, 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 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 Corporation Act, and Section 1002.33, Florida Statutes.

This report is intended solely for the information and use of Mater Academy East Charter School's management, the Board of Directors, 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 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.

As of June 30, 2008 – The issue has been resolved

### **07-04 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.

As of June 30, 2008 – The 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 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.

Effect: The School is not in compliance with Redbook.

Auditor recommendation: We recommend that management prepares budgets for all funds.

## **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 School's internal account controls**

Criteria: The School must maintain adequate controls over the internal account and have proper segregation of duties to ensure that more than one individual is involved in the process of maintaining the internal account.

Condition: Based on walkthroughs and School documentation, the Principal appears to be authorizing all purchases, preparing, approving and signing all the checks. The only other person involved is the School's bookkeeper, who enters the information into QuickBooks once the transaction has been completed. All reconciliations are then completed by the Management Company, which are based on the QuickBooks report submitted by the School's bookkeeper.

Questioned costs: N/A

Cause: The School has a small number of individuals performing a variety of duties.

Effect: Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the proper segregation of duties.

Auditors' recommendation: We recommend management isolate any incompatible accounting functions that are the responsibility of one employee and reassign responsibility for these duties, if practical, or create a supervisory review of these functions.

## **Mater Academy East Charter 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**

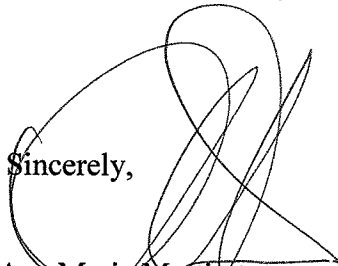
#### **08-01 Recommendation – School's internal account controls**

We recommend management isolate any incompatible accounting functions that are the responsibility for these duties; if practical, or create a supervisory review of these functions.

**Management Response**

Management will follow the auditor's recommendation and review the controls and procedures over the internal fund account and implement feasible policies in order to improve accountability and record keeping.

Sincerely,



Ana Maria Martínez  
Authorized Signor for Mater Academy, Inc.