

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

**Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2009**

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

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MATER ACADEMY EAST CHARTER SCHOOL

(A Charter School Under Mater Academy, Inc.)

450 SW 4th Street
Miami, Florida 33130
(305) 324-4667

2008-2009

BOARD OF DIRECTORS

Antonio Roca, Esq., Chair
Roberto Blanch
Shannine Sadesky
Juan Garcia
Elizabeth Nuevo

SCHOOL ADMINISTRATION

Beatriz Riera, Principal
Marisol Gomez, Assistant Principal

ORGANIZATION'S MANAGEMENT

Academica Dade, LLC
6361 Sunset Drive
Miami, Florida 33143

Officers :

Fernando Zulueta, President
Magdalena Fresen, Vice President, Treasurer
Ignacio Zulueta, Vice President
Collette Papa, Secretary

INDEPENDENT AUDITORS' REPORT

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



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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, 2009, which collectively comprise the 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 opinions 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 opinions.

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, 2009, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Mater Academy, Inc.

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, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2009 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 the budgetary comparison information, as listed in the table of contents, are not a required part of the basic 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 24, 2009
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, 2009.

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, 2009 by \$1,128,624 (net assets).
- At year-end, the School had current assets on hand of \$948,382.
- The net assets of the School increased by \$319,290 during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements for the year ended June 30, 2009 are presented under GASB 34. The basic 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 basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information on how the School's net assets changed during the fiscal year. All changes in net assets are reported 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 together 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 demonstrate compliance with finance-related legal requirements.

All of the School's funds are governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental 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 entire operations. Budgetary comparison schedules have 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

As noted previously, net assets may serve over time as a useful indicator of a charter school's financial position. Assets exceeded liabilities by \$1,128,624 at the close of the fiscal year. A summary of the School's assets as of June 30, 2009 and 2008 follows:

STATEMENT OF NET ASSETS

ASSETS	2009	2008
Cash and cash equivalents	\$ 795,574	\$ 490,132
Due from other schools	19,370	500
Due from other agencies	11,484	64,106
Other receivables	-	866
Prepaid expenses	112,550	106,875
Deposits	9,404	5,425
Capital assets	319,071	316,631
Total assets	1,267,453	984,535
LIABILITIES		
Accrued payroll and payroll taxes	137,224	118,177
Due to management company	1,605	-
Deferred revenues	-	33,580
Noncurrent liabilities	-	23,444
Total liabilities	138,829	175,201
NET ASSETS		
Invested in capital assets	319,071	301,827
Unrestricted	809,553	507,507
Total net assets	\$ 1,128,624	\$ 809,334

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2009 and 2008 follows:

	<u>2009</u>	<u>2008</u>
REVENUES		
Program revenues:		
Operating grants and contributions	\$ 578,030	\$ 529,263
Charges for services	236,591	372,018
General revenues:		
State passed through local school district	2,659,743	2,092,096
Miscellaneous	34,914	51,332
Total revenues	<u>3,509,278</u>	<u>3,044,709</u>
EXPENSES		
Basic instruction	1,516,859	1,264,473
Exceptional instruction	2,941	2,655
Instructional staff training services	4,250	3,488
Board of directors	14,515	21,074
School administration	455,348	446,453
Facilities acquisition and construction	18,260	31,455
Fiscal services	77,333	53,166
Food services	156,623	203,197
Other central services	54,338	48,054
Pupil personnel services	900	-
Information services	2,532	-
Transportation	-	2,270
Operation of plant	719,191	793,996
Maintenance of plant	79,589	64,295
Before and after care	86,500	43,141
Interest on long-term debt	809	-
Total expenses	<u>3,189,988</u>	<u>2,977,717</u>
Change in net assets	319,290	66,992
Net assets at beginning of year	<u>809,334</u>	<u>742,342</u>
Net assets at end of year	<u>\$ 1,128,624</u>	<u>\$ 809,334</u>

Mater Academy East Charter School's revenues increased by \$464,569 in the current year primarily due to an increase in enrollment of 109 students. Charges for service decreased significantly, as the facility was not receiving usage fee income from Mater Academy East Middle School and Mater Academy East Charter High School as they moved in to their own facility. The School also had an increase of total expenses for the year of \$212,271. The largest increases in expenses were for basic instruction and before and after care which falls in line with the increase in the number of students. The financial position of the School has improved during the current year. The School had an increase in net assets of \$319,290 for the year. In addition, the School had an increase in cash in the amount of \$305,442.

Lease of Facility

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

Capital Improvement Requirements

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

Accomplishments

In 2009, Mater Academy East Charter Schools earned a letter grade of “A” for the fifth consecutive year, and was among the highest-performing public elementary schools in Miami-Dade County, Florida, based on the points it received under the State of Florida Accountability Program. The School received a “School Recognition Award” from the State of Florida and the “Superintendent’s Platinum Award” for its achievements.

In the past 3 years, Mater Academy East Charter School has been recognized for other achievements: The School was featured as one of the top 10 charter schools in the State of Florida at the annual State Charter School Conference. In addition, the School’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. Mater Academy East Charter School was also a Blue Ribbon Award Nominee and a recipient of the Title I Distinguished Schools Award.

Financial Analysis of the Government’s Funds

As noted previously, 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 the School’s net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the School’s general fund reported an unreserved fund balance of \$809,553.

Capital Assets

The School’s investment in capital assets as of June 30, 2009 amounted to \$319,071 (net of accumulated depreciation). The investments in capital assets included buildings, fixed equipment, furniture, fixtures, equipment, and educational materials. Additional information on the School’s capital assets can be found at Note C.

General Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the School adopted an annual budget. During the year, there was an approximate \$646,000 increase in appropriations from the original to final amended budget. The increase was due mainly to an increase in budgeted capital outlay expenditures and salaries expense. The School's approved appropriations exceeded the general fund by \$170,718, primarily due to overestimating purchased and contracted service expenditures as well as rentals and utilities.

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, 2009

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 795,574
Due from other schools	19,370
Due from other agencies	11,484
Prepaid expenses	112,550
Deposits	9,404
Total current assets	948,382
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Buildings and fixed equipment	97,214
Furniture, fixtures, equipment and educational materials	221,857
Total capital assets	319,071
Total assets	1,267,453
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	13,458
Accrued payroll and payroll taxes	123,766
Due to management company	1,605
Total liabilities	138,829
NET ASSETS	
Investment in capital assets	319,071
Unrestricted	809,553
Total net assets	\$ 1,128,624

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, 2009

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	\$ 1,516,859	\$ -	\$ 172,795	\$ -	\$ (1,344,064)
Exceptional instruction	2,941	-	-	-	(2,941)
Instructional staff training services	4,250	-	-	-	(4,250)
Board of directors	14,515	-	-	-	(14,515)
School administration	455,348	-	-	-	(455,348)
Facility acquisition and construction	18,260	-	-	-	(18,260)
Fiscal services	77,333	-	-	-	(77,333)
Food services	156,623	18,795	166,945	-	29,117
Other central services	54,338	-	-	-	(54,338)
Pupil personnel services	900	-	-	-	(900)
Information services	2,532	-	-	-	(2,532)
Operation of plant	719,191	141,948	238,290	-	(338,953)
Maintenance of plant	79,589	-	-	-	(79,589)
Before and after care	86,500	75,848	-	-	(10,652)
Interest on long-term debt	809	-	-	-	(809)
Total governmental activities	\$ 3,189,988	\$ 236,591	\$ 578,030	\$ -	(2,375,367)
General revenues:					
State passed through local school district					2,659,743
Miscellaneous income					34,914
Total general revenues					<u>2,694,657</u>
Change in net assets					319,290
Net assets at July 1, 2008					<u>809,334</u>
Net assets at June 30, 2009					<u>\$ 1,128,624</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, 2009

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 795,574	\$ -	\$ -	\$ 795,574
Due from other schools	19,370	-	-	19,370
Due from other agencies	-	11,484	-	11,484
Due from other funds	11,484	-	-	11,484
Prepaid expenses	112,550	-	-	112,550
Deposits	9,404	-	-	9,404
	\$ 948,382	\$ 11,484	\$ -	\$ 959,866
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 13,458	\$ -	\$ -	\$ 13,458
Accrued payroll and payroll taxes	123,766	-	-	123,766
Due to management company	1,605	-	-	1,605
Due to other funds	-	11,484	-	11,484
	138,829	11,484	-	150,313
 FUND BALANCES				
Unreserved	809,553	-	-	809,553
	809,553	-	-	809,553
	\$ 948,382	\$ 11,484	\$ -	\$ 959,866

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, 2009

Fund balances - total governmental funds	\$	809,553
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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 \$162,750 accumulated depreciation	\$	97,214	
Furniture, fixtures, equipment and educational materials, net of \$420,812 accumulated depreciation		<u>221,857</u>	
Total capital assets			<u>319,071</u>
Total net assets of governmental activities			<u><u>\$ 1,128,624</u></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, 2009

	General Fund	Capital Outlay Fund	Other Governmental funds	Total Governmental Funds
Revenues				
Federal passed through state	\$ -	\$ -	\$ 166,945	\$ 166,945
Federal passed through local school district	10,174	-	162,621	172,795
State passed through local school district	2,659,743	238,290	-	2,898,033
Student lunches	-	-	18,795	18,795
Care program fees	75,848	-	-	75,848
Facility usage fee	141,948	-	-	141,948
Miscellaneous income	34,914	-	-	34,914
Total revenues	<u>2,922,627</u>	<u>238,290</u>	<u>348,361</u>	<u>3,509,278</u>
Expenditures				
Current:				
Basic instruction	1,284,550	-	162,621	1,447,171
Exceptional instruction	2,941	-	-	2,941
Instructional staff training services	4,250	-	-	4,250
Board of directors	14,515	-	-	14,515
School administration	457,951	-	-	457,951
Fiscal services	77,333	-	-	77,333
Food services	-	-	146,679	146,679
Other central services	54,338	-	-	54,338
Pupil personnel services	900	-	-	900
Information services	2,532	-	-	2,532
Operation of plant	468,609	238,290	-	706,899
Maintenance of plant	62,848	-	-	62,848
Before and after care	86,500	-	-	86,500
Fixed capital outlay	135,398	-	-	135,398
Debt service:				
Principal	14,808	-	-	14,808
Interest	809	-	-	809
Total expenditures	<u>2,668,282</u>	<u>238,290</u>	<u>309,300</u>	<u>3,215,872</u>
Excess of revenues over expenditures	254,345	-	39,061	293,406
Other financing sources (uses):				
Transfers in	39,061	-	-	39,061
Transfers out	-	-	(39,061)	(39,061)
Total other financing sources (uses)	<u>39,061</u>	<u>-</u>	<u>(39,061)</u>	<u>-</u>
Net change in fund balances	293,406	-	-	293,406
Fund balances at July 1, 2008	516,147	-	-	516,147
Fund balances at June 30, 2009	<u>\$ 809,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 809,553</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, 2009

Net change in fund balances - total governmental funds	\$ 293,406
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	\$ 135,398
Less depreciation	<u>(132,958)</u> 2,440
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.	
	14,808
Payment of compensated absences is an expenditure in the governmental funds, but the payment reduces the long-term liability in the statement of net assets.	
	<u>8,636</u>
Change in net assets of governmental activities	<u><u>\$ 319,290</u></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, 2009

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, 2009, when 439 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, 2009

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 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 expense 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, 2009

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, 2009

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 employees are eligible for one day per month of sick/personal leave up of 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. Employees can only cash out if they have used three days or less in that school year. Employees can only cash out ten days per school year and are always required to maintain a minimum of twenty-one days unused sick/personal leave. The cash out value for sick/personal leave is at 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. The School maintains its cash balances in a financial institution (the "Bank"). The Bank participates in the Federal Deposit Insurance Corporation (FDIC) Transaction Account Guarantee Program. Under this program, through December 31, 2013, all non-interest bearing transaction accounts (demand deposit accounts) are fully guaranteed by the FDIC for the entire amount in the account. Coverage under this program is in addition to and separate from the coverage available under the FDIC's basic deposit insurance rules. Balances in other account types, including interest bearing accounts, are insured up to \$250,000 until December 31, 2013. Thereafter, only balances up to \$100,000 will be insured.

At June 30, 2009, \$189,918 of the School's cash balances were in non-interest bearing accounts and thus were fully insured. In addition, at June 30, 2009, the School also had \$680,000 in a cash sweep program with the Bank, which is not covered under any FDIC insurance programs.

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE B - CASH AND CASH EQUIVALENTS (continued)

At June 30, 2009, 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>\$ 680,000</u>	<u>\$ 680,000</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.

NOTE D - DUE FROM OTHER AGENCIES

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

Capital outlay	<u>\$ 11,484</u>
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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, 2009:

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2009</u>
Capital Assets:				
Buildings and fixed equipment	\$ 160,017	\$ 99,947	\$ -	\$ 259,964
Furniture, fixtures, equipment and educational materials	607,218	35,451	-	642,669
Audio visual materials	964	-	-	964
Total assets depreciated	<u>768,199</u>	<u>\$ 135,398</u>	<u>\$ -</u>	<u>903,597</u>
Less accumulated depreciation:				
Buildings and fixed equipment	144,490	\$ 18,260	\$ -	162,750
Furniture, fixtures, equipment and educational materials	306,210	114,602	-	420,812
Audio visual materials	868	96	-	964
Total accumulated depreciation	<u>451,568</u>	<u>\$ 132,958</u>	<u>\$ -</u>	<u>584,526</u>
Capital assets, net	<u>\$ 316,631</u>			<u>\$ 319,071</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE E - CAPITAL ASSETS (continued)

Depreciation expense for the year ended June 30, 2009 was charged to functions of the School as follows:

Basic instruction	\$	75,726
Facility acquisition & construction		18,260
Food service		9,944
Operation of plant		12,288
Maintenance of plant		16,740
		\$ 132,958

NOTE F - LONG-TERM DEBT

The School acquired kitchen equipment capital leases payable in monthly installments of \$613 which matured in 2009, and was collateralized by the related equipment.

The following is a summary of changes in long-term debt for the year ended June 30, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due within one year
Compensated absences	\$ 8,636	\$ -	\$ 8,636	\$ -	\$ -
Capital lease payable	14,808	-	14,808	-	-
	\$ 23,444	\$ -	\$ 23,444	\$ -	\$ -

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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	\$ 1,843,705
Discretionary millage	201,363
Discretionary lottery	11,072
Declining enrollment	5,971
Instructional materials allocation	41,761
Supplemental academic instruction	162,380
Exceptional student education guaranteed allocation	5,612
Safe schools	13,628
Class size reduction funds	499,628
Administration fee withheld (5%)	(137,322)
Other school district deductions	(38,672)
Subtotal	2,609,126
Capital outlay	238,290
Teacher lead program	4,697
Title I - Schoolwide	99,900
Title I - Reading leader	55,971
Title I - FCAT	6,750
Title III	10,174
Merit Award Program	18,334
School Recognition Award Income	27,586
Total from Miami-Dade County Public School District:	3,070,828
Other revenue:	
National school lunch program	166,945
Other lunch receipts	18,795
Care program fees	75,848
Walton grant	33,580
Facility usage fee	141,948
Miscellaneous income	1,334
	\$ 3,509,278

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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. Academica Dade, LLC agrees to renew the contract at the School's option unless the School breaches the contract. During the year ended June 30, 2009, the School incurred \$197,505, in management fees, of which \$1,605 was due to the management company at year end.

2. Operating lease

The School entered into an amended lease agreement with School Development East, LLC, as landlord, in April 2004 for its main campus. Annual total payments are approximately \$493,058 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,		
2010	\$	493,058
2011		493,058
2012		493,058
2013		493,058
2014		493,058
2015-2019		2,465,290
2020-2024		2,465,290
2025		82,176
	\$	<u>7,478,046</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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. In keeping with the requirements for providing full disclosure, the following items are disclosed below:

1. Management service contract

The management company, Academica Dade, LLC provides oversight and management services based on a contractual arrangement with the School (see Note H-1). In its capacity as the management company, Academica Dade, LLC manages the finances and operations and makes recommendations to the School's independent Board, which makes the final determinations regarding policies and contracts. Management fees total \$197,505 for the year ending June 30, 2009.

2. Operating lease

School Development East, LLC owns property which is leased to the School (see Note H-2). Presently, members of School Development East, LLC are also stockholders in a company that solely owns Academica Dade, LLC. Academica Dade, LLC is also the company that manages the School (see Note H-1 and I-1). Total rent payments charged to the School for the year under this lease were \$493,058. The lease does not contain any provision as to the management of the School.

3. Due from / (due to) other schools

The due from / (due to) other schools, operated by Mater Academy, Inc, consists of the following at June 30, 2009:

<u>School</u>	<u>Due from / (Due to)</u>
Mater Academy Charter High School	\$ 32,672
Mater Academy of International Studies	27,354
Mater Academy East Charter Middle School	(26,307)
Mater Academy East High School	<u>(14,349)</u>
Total due from other schools	<u>\$ 19,370</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE I - RELATED PARTY TRANSACTIONS (continued)

4. Facility usage agreement

The School's facility is shared with Mater Academy of International Studies, 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. The facility usage income earned during the year ending June 30, 2009, related to this agreement, was \$96,378.

In addition, the School also has an agreement with another charter school to provide classrooms. The School charges a flat fee based on a monthly student cost allocation ration. The term of agreement is through July 31, 2009 with an option to renew annually. The facility usage income earned during the year ending June 30, 2009, related to this agreement amounted to \$45,570.

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 has zero liability per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2009. 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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
FTE	\$ 2,440,000	\$ 2,615,360	\$ 2,609,126	\$ (6,234)
Facility usage income	50,000	138,873	141,948	3,075
Interest income	-	-	1,334	1,334
Other revenue	-	140,000	170,219	30,219
Total revenues	<u>2,490,000</u>	<u>2,894,233</u>	<u>2,922,627</u>	<u>28,394</u>
Expenses				
Salaries	1,138,218	1,375,000	1,348,525	26,475
Employee benefits	225,000	276,000	256,488	19,512
Purchased/contract services	381,000	458,000	392,415	65,585
Rent and utilities	365,800	380,000	350,896	29,104
Materials and supplies	74,000	80,000	67,165	12,835
Capital outlay expenditures	-	150,000	135,398	14,602
Other	8,500	120,000	117,395	2,605
Total expenditures	<u>2,192,518</u>	<u>2,839,000</u>	<u>2,668,282</u>	<u>170,718</u>
Excess of revenues over expenditure	<u>297,482</u>	<u>55,233</u>	<u>254,345</u>	<u>199,112</u>
Other financing sources				
Transfers in	-	40,000	39,061	(939)
Net change in fund balance	297,482	95,233	293,406	198,173
Fund balances as of July 1, 2008	516,147	516,147	516,147	-
Fund balances as of June 30, 2009	<u>813,629</u>	<u>611,380</u>	<u>809,553</u>	<u>198,173</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Capital outlay	\$ 249,200	\$ 262,800	\$ 238,290	\$ (24,510)
Total revenues	249,200	262,800	238,290	(24,510)
Expenditures				
Rent	249,200	262,800	238,290	24,510
Total expenditures	249,200	262,800	238,290	24,510
Excess of revenues over expenditures	-	-	-	-
Fund balances at July 1, 2008	-	-	-	-
Fund balances at June 30, 2009	<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, 2009

NOTE A - BUDGETARY INFORMATION

1. Budgetary basis

The School's annual budget is adopted for the entire operations at the modified-accrual combined governmental level and may be amended by the Board. The budget presented for the year ended June 30, 2009 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.

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



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

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

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W. Palm Beach, FL 33401
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FAX 561-837-6632

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We have audited the 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, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mater Academy East Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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.

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

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 prevented or detected by Mater Academy East Charter School's internal control.

Our consideration of 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 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 24, 2009.

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 the 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 24, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

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



We have audited the financial statements of Mater Academy East Charter School, a component unit of the District School Board Miami-Dade County, Florida as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated August 24, 2009.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which are dated August 24, 2009, should be considered in conjunction with this management letter.

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Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of the charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

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- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report as noted under the heading Prior Year Management Recommendations - Corrected.
- Section 10.854(1)(e)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we identified recommendations as listed under the heading Current Year Management Recommendations at 09-1 and 09-2.

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- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address 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 financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)6, Rules of the Auditor General, requires the name or official title of the school. 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.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions used to determine if a school is in a financial emergency, described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School has not met any of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Mater Academy East Charter School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter 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 24, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Prior Year Management Recommendations - Corrected

07-1 Budgetary comparison

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.

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

As of June 30, 2009, the above issue has been resolved.

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.

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

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

As of June 30, 2009, the above issue has been resolved.

Prior Year Management Recommendations - Corrected

08-1 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.

Effect: Without proper controls, the School is at an increased risk that misappropriations, errors, or fraud could occur and go unnoticed.

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.

the above issue has been resolved.

Current Year Management Recommendations

09-1 Lunch program revenue and expense allocation

Criteria: Mater Academy East Charter School (“Mater East”) receives lunch program funding for other schools under Mater Academy, Inc. The Mater East should then allocate the necessary funds to each school.

Condition: During the course of the audit, it was noted that Mater East prepares lunches for each of the other schools and then transports the lunches to them daily. Mater East recorded all lunch program revenues and expenses, and then at the end of the year, any profit or loss related to the program was allocated proportionately between the schools. However, they were not appropriately allocating the related revenues and expenses.

Effect: Mater East’s revenues and expenses were overstated by approximately \$140,000, the amount of revenues and expenses associated with all of the other schools under Mater Academy, Inc.

Auditors’ recommendation: We recommend that Mater East allocate the revenues and expenses related to the lunch program for the other schools proportionately based on the number of students. After this allocation is made, the lunch program revenues and expenses recorded on Mater East’s books are only those related to the Mater East.

09-2 Segregation of duties

Criteria: A fundamental concept in a good system of internal controls is the proper segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: Based upon the walkthrough of the cash disbursement procedures, the School does not appear to have appropriate segregation of duties in this area for the School’s onsite activity account. It appears that the Principal is approving and authorizing all disbursements, as well as signing all disbursement checks.

Effect: Lack of segregation in the disbursement process increases the risk that intentional or unintentional errors could be made and not detected.

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

August 28, 2009

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:

CURRENT YEAR RECOMMENDATIONS

09-01 Recommendation – Lunch program revenue and expense allocation

We recommend that Mater East allocate the revenues and expenses related to the lunch program for the other schools proportionately based on the number of students. After this allocation is made, the lunch program revenues and expenses recorded on Mater East's books are only those related to the Mater East.

Management Response

While management records the net effect of the lunch program for the other Schools based on the number of students, management will follow the auditor's recommendation and record revenue and expenses as opposed to the net surplus/deficit.

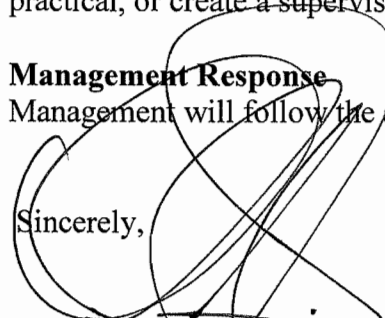
09-02 Recommendation – Segregation of duties

We recommend that 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.

Management Response

Management will follow the auditor's recommendation.

Sincerely,



Ana Maria Martinez
Authorized Signor for Mater Academy, Inc.