

ADVANCED LEARNING CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013

ADVANCED LEARNING CHARTER SCHOOL, INC.
TABLE OF CONTENTS
JUNE 30, 2013

Management's Discussion and Analysis (Unaudited)	1-6
Independent Auditor's Report.....	7-8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	9
Statement of Activities.....	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Assets.....	12
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	14
Notes to Financial Statements	15-24
Required Supplemental Information	
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget vs. Actual – General Fund	26
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget vs. Actual – Special Revenue Fund.....	27
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget vs. Actual – Capital Projects Fund	28
Notes to Required Supplemental Information.....	29
Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	30-31
Management Letter	32-34
Management's Response to Audit Findings	35

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

As management of Advanced Learning Charter School (the "School"), a component unit of the School Board of Miami-Dade County, Florida, and Advanced Learning Charter School, Inc. (the "Charter Holder") we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2013 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements starting on page 9.

Financial Highlights

- Assets exceeded liabilities at the end of the fiscal year by \$38,325 (net assets).
- Current assets exceeded current liabilities at the end of the fiscal year by \$192,919.
- The change in net assets for the year ended June 30, 2013 was \$122,129.
- The unassigned fund balance at the end of the fiscal year was \$192,919.

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 are comprised of 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.

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, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state and federal funding (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the Miami-Dade County School Board. The School Board of Miami-Dade County, Florida includes the operations of the School in their operational results.

The government-wide financial statements can be found on pages 9 and 10 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 and objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains three individual government funds. Information is presented separately in the governmental fund balance sheet and statement of revenue, expenditures and changes in fund balances. The general fund, special revenue fund, and capital outlay fund are considered to be major funds. The basic governmental fund financial statements can be found on pages 11 thru 14 of this report.

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules have been provided to demonstrate compliance with this budget and can be found on pages 26 through 28 of this report.

Notes to the Financial Statements The notes 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 starting on page 15 of this report.

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Government-wide Financial Analysis

As noted previously, net assets serve, over time, as a useful indicator of the School's financial position. For the year ended June 30, 2013, the School's assets exceeded liabilities by \$38,325 and for the year ended June 30, 2012 the School's liabilities exceeded assets by \$83,804. The School began school operations and accepted its first students in August 2009.

**Advanced Learning Charter School, Inc.
Statements of Net Assets**

	Governmental Activities		
	2013	2012	Variance
ASSETS			
Current and other assets	\$ 358,882	\$ 186,578	\$ 172,304
Capital assets, net of depreciation	<u>255,865</u>	<u>296,035</u>	<u>(40,170)</u>
Total assets	<u>\$ 614,747</u>	<u>\$ 482,613</u>	<u>\$ 132,134</u>
LIABILITIES			
Current and other liabilities	\$ 165,963	\$ 234,825	\$ (68,862)
Long-term liabilities	<u>410,459</u>	<u>331,592</u>	<u>78,867</u>
Total liabilities	<u>\$ 576,422</u>	<u>\$ 566,417</u>	<u>\$ 10,005</u>
NET ASSETS			
Investment in capital assets	\$ 255,865	\$ 296,035	\$ (40,170)
Restricted assets	-	-	-
Unrestricted (deficit)	<u>(217,540)</u>	<u>(379,839)</u>	<u>162,299</u>
Total net assets (deficit)	<u>\$ 38,325</u>	<u>\$ (83,804)</u>	<u>\$ 122,129</u>

ADVANCED LEARNING CHARTER SCHOOL, INC.
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Government-wide Financial Analysis (Continued)

**Advanced Learning Charter School, Inc.
 Statement of Activities**

	<u>2013</u>	<u>2012</u>	<u>Variance</u>
Revenue			
Federal through Local	\$ 351,911	\$ 321,621	\$ 30,290
State and Local	2,954,924	2,790,553	164,371
Other revenue	<u>244,641</u>	<u>206,631</u>	<u>38,010</u>
Total revenue	<u>3,551,476</u>	<u>3,318,805</u>	<u>232,671</u>
Expenses			
Instruction	1,540,596	1,488,762	51,834
Instruction & Curriculum Development	20,854	9,575	11,279
General Administration	191,144	212,792	(21,648)
School Administration	316,125	274,534	41,591
Facilities Acquisition and Construction	15,879	17,165	(1,286)
Fiscal Services	130,000	60,000	70,000
Food Services	305,011	332,150	(27,139)
Operation of Plant	713,530	671,210	42,320
Maintenance of Plant	17,264	14,625	2,639
Community Services	<u>178,944</u>	<u>162,059</u>	<u>16,885</u>
Total expenses	<u>3,429,347</u>	<u>3,242,872</u>	<u>186,475</u>
Change in net assets	122,129	75,933	46,196
Fund balance at the beginning of the year	<u>(83,804)</u>	<u>(159,737)</u>	<u>75,933</u>
Fund balance at the end of the year	<u>\$ 38,325</u>	<u>\$ (83,804)</u>	<u>\$ 122,129</u>

Financial Analysis of the Governmental Funds

As noted previously, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Government 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, unassigned fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

ADVANCED LEARNING CHARTER SCHOOL, INC.
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Financial Analysis of the Governmental Funds (Continued)

The general fund is the chief operating fund of the School. At the end of the current fiscal year, the School's governmental general fund reported an ending fund balance of \$192,919, which is unassigned and available for spending at the School's discretion. These funds will be available for the School's future ongoing operations.

Governmental Fund Budgetary Highlights

Prior to the start of the School's fiscal year, the Board of Directors adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with School's budget.

	Budget		Actual
	Original	Final	
Revenue			
FTE Funding	\$ 2,687,907	\$ 2,840,000	\$ 2,844,070
Charter Capital Outlay	144,000	110,000	110,854
Title 1	90,525	96,000	96,626
NSLP and Lunch Fees	260,000	300,000	302,424
After Care and Summer Program	<u>100,000</u>	<u>195,000</u>	<u>197,502</u>
Gross Revenue	<u>3,282,432</u>	<u>3,541,000</u>	<u>3,551,476</u>
Expenditures			
Instructional	1,409,971	1,495,000	1,498,041
Instruction & Curriculum Development	18,000	20,000	20,854
General Administration	301,195	210,000	191,144
School Administration	305,925	307,000	316,125
Facility Acquisition and Construction	-	-	-
Fiscal Services	60,000	130,000	130,000
Food Services	284,757	302,500	305,011
Operation of Plant	600,708	635,000	634,663
Maintenance of Plant	6,000	17,500	17,264
Community Services	<u>90,220</u>	<u>175,000</u>	<u>178,944</u>
Capital Outlay:			
Other Capital Outlay	<u>12,000</u>	<u>18,500</u>	<u>18,264</u>
Total Expenditures	<u>3,088,776</u>	<u>3,310,500</u>	<u>3,310,310</u>
Excess Revenues over Expenditures	<u>\$ 193,656</u>	<u>\$ 230,500</u>	<u>\$ 241,166</u>

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year. The Final Budget was formulated based on actual FTE counts and staffing levels.

Capital Assets and Debt Administration

Capital Assets The School's investment in capital assets for its governmental activities as of June 30, 2013 was \$255,865, net of accumulated depreciation. This investment in capital assets includes leasehold improvements, furniture, fixtures and equipment, audio visual equipment, and computers and peripherals. Additional information on the School's capital assets can be found in Note 3 of the Financial Statements on page 22 of this report.

Debt Administration The School's long-term liabilities at June 30, 2013 totaled \$410,459, which is related entirely to deferred rent associated with the School's Facility Lease. There was no outstanding balance against the Credit facility at June 30, 2013. Further discussions of the School's Credit Facility and Facility Lease can found in Note 4 and Note 5, respectively, of the Financial Statements found on pages 22 through 23 of this report.

Accomplishments Advanced Learning Charter School completed its fourth year of operations, receiving a grade of "A" from the Florida Department of Education in each of the years it was eligible to receive such grade. The School is ranked among the top public elementary schools in Miami-Dade County, based on the points it received under the State of Florida Accountability Program. In June 2011, Advanced Learning Charter School was accredited by the Southern Association of Colleges and Schools (SACS).

Requests For Information This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Mr. Carlos Gonzalez at Advanced Learning Charter School, 5855 NW 171 Street, Miami Gardens, FL 33015.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Advanced Learning Charter School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Advanced Learning Charter School, Inc., (the "School"), a component unit of the District School Board of Miami-Dade County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Advanced Learning Charter School as of June 30, 2013, 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.

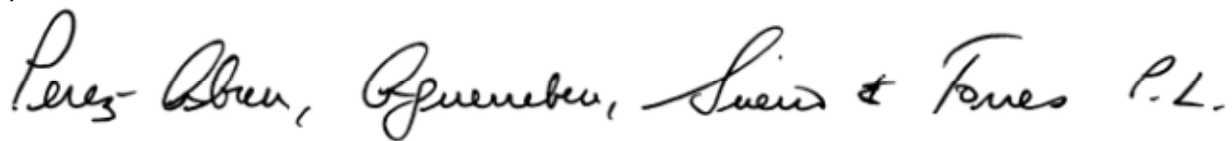
Other Matters

Required Supplementary Information

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2013, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 26 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

We noted certain matters that we reported to management of the School in a separate letter dated August 30, 2013. The School's response to the findings identified in our audit is described in the accompanying management response letter. We did not audit the School's responses and, accordingly, we express no opinion on them.



Coral Gables, Florida
August 30, 2013

ADVANCED LEARNING CHARTER SCHOOL, INC.
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$ 314,717
Accounts receivable	39,853
Other assets	<u>4,312</u>
Total current assets	<u>358,882</u>

Noncurrent assets:

Capital assets, depreciable	455,025
Less: accumulated depreciation	<u>(199,160)</u>
Capital assets, net of depreciation	<u>255,865</u>

TOTAL ASSETS \$ 614,747

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	<u>\$ 165,963</u>
Total current liabilities	<u>165,963</u>

Long-term liabilities:

Deferred rent	<u>410,459</u>
---------------	----------------

TOTAL LIABILITIES 576,422

Net Assets:

Investment in capital assets, net of related debt	255,865
Temporarily restricted assets	-
Unrestricted (deficit)	<u>(217,540)</u>
Total net assets	<u>38,325</u>

TOTAL LIABILITIES AND NET ASSETS \$ 614,747

The accompanying notes are an integral part of these financial statements.

ADVANCED LEARNING CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 1,540,596	\$ -	\$ 96,626	\$ -	\$ (1,443,970)
Instruction & Curriculum Development	20,854	-	-	-	(20,854)
General Administration	191,144	-	-	-	(191,144)
School Administration	316,125	-	-	-	(316,125)
Facilities Acquisition and Construction	15,879	-	-	-	(15,879)
Fiscal Services	130,000	-	-	-	(130,000)
Food Services	305,011	47,139	255,285	-	(2,587)
Operation of Plant	713,530	-	-	110,854	(602,676)
Maintenance of Plant	17,264	-	-	-	(17,264)
Community Services	178,944	197,502	-	-	18,558
Total governmental activities	<u>\$ 3,429,347</u>	<u>\$ 244,641</u>	<u>\$ 351,911</u>	<u>\$ 110,854</u>	(2,721,941)
General revenue:					
State passed through local school district					<u>2,844,070</u>
Change in net assets					122,129
Net assets (deficit), beginning					<u>(83,804)</u>
Net assets, ending					<u>\$ 38,325</u>

The accompanying notes are an integral part of these financial statements.

ADVANCED LEARNING CHARTER SCHOOL, INC.
 BALANCE SHEET - GOVERNMENTAL FUNDS
 AS OF JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 314,717	\$ -	\$ -	\$ 314,717
Accounts receivable	39,853	-	-	39,853
Other assets	<u>4,312</u>	<u>-</u>	<u>-</u>	<u>4,312</u>
 TOTAL ASSETS	 <u>\$ 358,882</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 358,882</u>
LIABILITIES				
Accounts payable and accrued expenses	<u>\$ 165,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,963</u>
 TOTAL LIABILITIES	 <u>165,963</u>	 <u>-</u>	 <u>-</u>	 <u>165,963</u>
FUND BALANCES				
Unassigned	<u>192,919</u>	<u>-</u>	<u>-</u>	<u>192,919</u>
 TOTAL FUND BALANCES	 <u>192,919</u>	 <u>-</u>	 <u>-</u>	 <u>192,919</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 358,882</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 358,882</u>

The accompanying notes are an integral part of these financial statements.

ADVANCED LEARNING CHARTER SCHOOL, INC.
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2013

Total Fund Balance - Governmental Funds	\$ 192,919
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Long-term liabilities at year-end consist of:	
Deferred rent	(410,459)
Capital assets of \$455,025 (net of accumulated depreciation of \$199,160) used in governmental activities are not financial resources and therefore are not reported in governmental funds.	
	<u>255,865</u>
Total Net Assets - Governmental Activities	<u>\$ 38,325</u>

The accompanying notes are an integral part of these financial statements.

ADVANCED LEARNING CHARTER SCHOOL, INC.
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Federal passed through local school district	\$ -	\$ 351,911	\$ -	\$ 351,911
State passed through local school district	2,844,070	-	110,854	2,954,924
Aftercare and lunch fees	197,502	47,139	-	244,641
Total revenue	<u>3,041,572</u>	<u>399,050</u>	<u>110,854</u>	<u>3,551,476</u>
Expenditures				
Instruction	1,403,415	94,626	-	1,498,041
Instruction & Curriculum Development	20,854	-	-	20,854
General Administration	191,144	-	-	191,144
School Administration	314,125	2,000	-	316,125
Facilities Acquisition and Construction	-	-	-	-
Fiscal Services	130,000	-	-	130,000
Food Services	-	305,011	-	305,011
Operation of Plant	523,809	-	110,854	634,663
Maintenance of Plant	17,264	-	-	17,264
Community Services	178,944	-	-	178,944
Capital Outlay:				
Other Capital Outlay	18,264	-	-	18,264
Total expenditures	<u>2,797,819</u>	<u>401,637</u>	<u>110,854</u>	<u>3,310,310</u>
Excess (Deficiency) of Revenue over Expenditures	243,753	(2,587)	-	241,166
Other Financing (Uses)				
Transfers in and (out)	(2,587)	2,587	-	-
Repayment of Credit Facility	(140,000)	-	-	(140,000)
Change in fund balance	<u>101,166</u>	<u>-</u>	<u>-</u>	<u>101,166</u>
Fund balance at the beginning of the year	91,753	-	-	91,753
Fund balance at the end of the year	<u>\$ 192,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,919</u>

The accompanying notes are an integral part of these financial statements.

ADVANCED LEARNING CHARTER SCHOOL, INC.
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds	\$ 101,166
Amounts reported for governmental activities in the statement of activities are 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. This is the amount by which capital outlays of \$18,264 differed from depreciation expense of \$58,435.	(40,171)
Net repayments of the credit facility use current financial resources for governmental funds, but decrease long-term liabilities in the statement of net assets.	140,000
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 governmental funds.	
Deferred Rent	<u>(78,866)</u>
Change in net assets of governmental activities	<u>\$ 122,129</u>

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Advanced Learning Charter School, Inc. (the "School") is a Florida Not-For-Profit Corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The School operates a Charter School, located at 5855 NW 171 Street, Miami Gardens, Florida 33015, under a charter of the sponsoring school district, the School Board of Miami-Dade County, Florida (the "District"). The school is considered a component unit of the District. The school provides educational services to students in grades kindergarten through fifth. The Governing Board of the school is the School's Board of Directors, which is comprised of five members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The current Charter Contract (the "Contract") with the District is effective until June 30, 2013 and may be renewed for periods of fifteen (15) years by mutual agreement between the School and the District. At the end of the Contract term, the District may choose not to renew the charter under grounds specified in the Contract, in which case the District is required to give the School written notice ninety (90) days prior to the Contract's expiration. During the term of the Contract, the District may terminate the Contract for non-compliance. The School has obtained provisional approval for a five year charter renewal and Management is currently awaiting receipt of the executed charter as more fully described in Note 5.

Effective July 1, 2013, the School changed its name to HIVE Preparatory School.

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 total assets and total liabilities, as reported on the statement of net assets, are subdivided into three categories: amounts invested in capital assets; restricted net assets; and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either internally by the School's Governing Board or externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and fund financial statements (Continued)

The statement of activities presents a comparison between the direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those that are clearly identifiable to a specific function. Program revenue 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. 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, which are reported in separate columns on the fund financial statements. Three of the School's funds are deemed to be major. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

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. Revenue is 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 revenue, 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. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. A one-year availability period is used for revenue recognition for all other governmental fund revenues. When grant terms provides that the expenditure of resources is the prime factor for determining eligibility for federal, state or other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as an expenditure only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America 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 financial sources and uses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 – this is the operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – this fund accounts for all resources used by the School to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund – this fund accounts for all resources used by the School that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities, certain facility maintenance expenses, and other permitted expenses.

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.

Cash and cash equivalents

The School considers all highly liquid investments with a maturity of three months or less, at date of purchase, to be cash equivalents.

Accounts receivable

Accounts receivable in the accompanying financial statements represent balances due from the National School Lunch Program and the Florida Department of Education for Charter School Capital Outlay. The School's management considers 100% of accounts receivable to be collectible. Accordingly, no allowance for doubtful accounts has been established.

Capital assets

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

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets (Continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	10 – 15
Furniture, fixtures and equipment	7 – 10
Audio visual equipment	3 – 5
Computers and peripherals	3 – 5

Long term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and payments of debt principal as other financing uses.

Long-term liabilities at June 30, 2013 include deferred rent of approximately \$410,000, which was recorded in accordance with Accounting Codification Standards 840-10 and 840-20, *Accounting for Leases*. These standards require that rent expense be recognized on a straight-line basis over the term of the lease. The liability represents the cumulative portion of rent expense that has been incurred in excess of payments made in accordance with the terms of the lease (Note 5).

Governmental Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications reflect the nature of the funds and the level of restriction placed upon the fund balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balance Reporting (Continued)

GASB 54 requires fund balance amounts to be properly reported within the following balance categories: Non-spendable, Restricted, Committed, Assigned and Unassigned.

- *Non-spendable* – fund balance amounts associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). There are no non-spendable fund balances at year end.
- *Restricted* – fund balance amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- *Committed* – fund balance amounts that can be used only for the specific purposes determined by a formal action of the School’s Board of Directors. There are no committed fund balances at year end.
- *Assigned* – fund balance amounts that are intended to be used by the School for specific purposes, but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- *Unassigned* – fund balance is the residual classification for the School’s general fund and includes all spendable amounts not contained in other classifications.

Order of Fund Balance Spending Policy

The School’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have a negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes exceed the positive fund balance for the non-general fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue sources

Revenues for current operations are received primarily from the State of Florida through the District pursuant to the funding provisions included in the School's Contract. In accordance with the funding provisions of the School's Contract and Section 1002.33(17), Florida Statutes, the School reports the number of Full Time Equivalent ("FTE") students and related student information to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related student information to the Florida Department of Education (the "FDOE") for funding through the Florida Education Finance Program ("FEFP"). Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the FEFP and actual FTE students reported by the School. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School receives state funds through the District under Charter School Capital Outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent, or construction of School facilities.

The School also receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are reported as deferred revenues until expended.

The School may generate other revenue from various fundraising activities and certain other programs.

Income taxes

The School has not yet qualified for exempt status under section 501(c)3 of the Internal Revenue Code of 1954 (as amended). Management plans on filing for application and believes that the School meets the requirements for exemption. Furthermore, the School has experienced net operating losses for each of its taxable years from inception through 2012 and Management believes that future tax liability as a result of disqualification, if any, will be immaterial to the financial statements as a whole. Therefore, the financial statements reflect no provision for income taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (Continued)

Management identifies and evaluates potential uncertain tax positions to determine whether the probability exists that a tax position taken in a tax return would be sustained upon examination by a taxing authority. Reserves for uncertain tax positions are recorded if management determines it is probable either a position would not be sustained upon examination or if a payment would have to be made to a taxing authority and the amount was reasonably estimable. The School's federal and state income tax returns are generally subject to examination by taxing authorities for three years after the returns are filed, and the Company's federal and state income tax returns for 2010, 2011 and 2012 remain open to examination.

Compensated absences

The School grants a specific number of days of sick/personal leave. Full-time employees are eligible for six sick/personal days during the ten month school year period. Employees are not eligible to carry forward unused days.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those reported.

Management Review of Subsequent Events

Management has evaluated subsequent events through August 30, 2013, the date when the financial statements were available to be issued.

NOTE 2 - CASH

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. It is the School's policy to maintain its cash and cash equivalents in major banks that are FDIC-insured and in high-grade investments.

ADVANCED LEARNING CHARTER SCHOOL, INC.
 NOTES TO FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3 - CAPITAL ASSETS

Changes in capital assets consist of the following:

	Balance at July 1, 2012	Additions	Disposals	Balance at June 30, 2013
Capital assets:				
Leasehold improvements	\$ 145,983	\$ 9,540	\$ -	\$ 155,523
Furniture, fixtures and equipment	174,602	-	-	174,602
Audio visual equipment	1,968	-	-	1,968
Computers and peripherals	<u>114,208</u>	<u>8,724</u>	-	<u>122,932</u>
Total capital assets	<u>436,761</u>	<u>18,264</u>	-	<u>455,025</u>
Less accumulated depreciation:				
Leasehold improvements	16,267	10,090	-	26,357
Furniture, fixtures and equipment	52,712	24,943	-	77,655
Audio visual equipment	1,640	248	-	1,888
Computers and peripherals	<u>70,106</u>	<u>23,154</u>	-	<u>93,260</u>
Total accumulated depreciation	<u>140,725</u>	<u>58,435</u>	-	<u>199,160</u>
Total governmental activities capital assets, net	<u>\$ 296,036</u>	<u>\$ (40,171)</u>	<u>\$ -</u>	<u>\$ 255,865</u>

Depreciation expense for the period ended June 30, 2013 was \$58,435 and is allocated in the Statement of Activities to instruction and facilities acquisition and construction.

NOTE 4 - CREDIT FACILITY

On October 29, 2009, the School entered into a credit facility with BridgeRock Capital Corporation, a related party (Note 6), in the amount of \$500,000. The credit facility is collateralized by the corporate assets of the school. The effective date of the credit facility is November 1, 2009 with an original maturity of October 31, 2012. As of June 30, 2012, the maturity date was extended to June 30, 2016. The outstanding principal balance and accrued interest (9.75% per annum) are due at maturity. Under the terms of the credit facility, the School may make draws in increments of \$25,000 up to the facility amount. There was no outstanding balance for the credit facility at June 30, 2013. Interest expense for the year then ended was approximately \$8,000.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

NOTE 5 - COMMITMENTS AND CONTINGENCIES

On October 29, 2009, the School entered into a Facility Lease (the "Lease") with Palmetto KTP, LLC. The effective date of Lease is July 1, 2009 and ends on June 30, 2024. The lease provides for an additional fifteen (15) year option period, provided the School is in compliance with the term of Lease. Base rent of the lease escalates at a rate of 4.0% or CPI, whichever is greater. Future commitments under the lease are approximately as follows:

<u>School Year</u>	<u>Future Commitments</u>
2013-2014	\$ 439,000
2014-2015	457,000
2015-2016	475,000
2016-2017	494,000
2017-2018	514,000
Thereafter	<u>3,545,000</u>
Total	<u>\$ 5,924,000</u>

Total rent expense for the year ended June 30, 2013 was approximately \$579,000. This amount includes triple net charges for common area maintenance, property insurance and management fees.

Contingencies

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

As described in Note 1, the School's current charter expired on June 30, 2013. The School obtained provisional approval for a five year charter renewal as of May 8, 2013. Management anticipates receipt of the executed charter from the district and accordingly, no adjustment has been made to the accompanying financial statements as a result of this contingency.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

NOTE 6 - RELATED PARTIES

BridgeRock is the provider of the credit facility (Note 4) to the School. During the year ended June 30, 2013, the School paid interest of approximately \$8,000.

In addition, the School leases its facilities (Note 5) from Palmetto KTP, a company related to BridgeRock by common ownership. During the year ended June 30, 2013, the School incurred rent expense of approximately \$579,000 with Palmetto KTP.

NOTE 7 – 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. There have been no claims against the policy during the fiscal year ended June 30, 2013.

NOTE 8 – DEFINED CONTRIBUTION PLAN

The School maintains a contributory profit sharing plan (the "Plan") as defined under Section 401(k) of the U.S. Internal Revenue Code covering substantially all employees. In 2013, the School contributed 100% of the amount of elective deferral contributions that did not exceed 3% of eligible compensation and 50% of the amount of elective deferral contributions above 3% to a maximum of 4% of eligible compensation. Employer contributions during the year ended June 30, 2013 totaled approximately \$23,000. John Hancock Life Insurance Company acts as the Plan's custodian.

Required Supplemental Information

ADVANCED LEARNING CHARTER SCHOOL
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET VS. ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budget		Actual	Final Variance
	Original	Final		
Revenue				
State passed through local school district	\$2,687,907	\$2,840,000	\$ 2,844,070	\$ 4,070
Local Sources	100,000	195,000	197,502	2,502
Gross Revenue	<u>2,787,907</u>	<u>3,035,000</u>	<u>3,041,572</u>	<u>6,572</u>
Expenditures				
Instruction	1,320,356	1,400,000	1,403,415	3,415
Instruction & Curriculum Development	18,000	20,000	20,854	854
General Administration	301,195	210,000	191,144	(18,856)
School Administration	305,015	306,000	314,125	8,125
Facility Acquisition and Construction	-	-	-	-
Fiscal Services	60,000	130,000	130,000	-
Food Services	24,757	2,500	-	(2,500)
Operation of Plant	456,708	525,000	523,809	(1,191)
Maintenance of Plant	6,000	17,500	17,264	(236)
Community Services	90,220	175,000	178,944	3,944
Capital Outlay:				
Other Capital Outlay	12,000	18,500	18,264	(236)
Total Expenditures	<u>2,594,251</u>	<u>2,804,500</u>	<u>2,797,819</u>	<u>(6,681)</u>
Excess of Revenue over Expenditures	193,656	230,500	243,753	13,253
<i>Other Financing Sources</i>				
Transfers in and (out)	-	-	(2,587)	(2,587)
Repayment of Credit Facility	(140,000)	(140,000)	(140,000)	-
Change in Fund Balance	53,656	90,500	101,166	10,666
Fund balance at the beginning of the year	91,753	91,753	91,753	-
Fund balance at the end of the year	<u>\$ 145,409</u>	<u>\$ 182,253</u>	<u>\$ 192,919</u>	<u>\$ 10,666</u>

See accompanying notes to required supplemental information.

ADVANCED LEARNING CHARTER SCHOOL
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET VS. ACTUAL - SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2013

	Budget		Actual	Final Variance
	Original	Final		
Revenue				
Federal passed through local school district	\$ 301,525	\$ 351,000	\$ 351,911	\$ 911
Local Sources	49,000	45,000	47,139	2,139
Gross Revenue	<u>350,525</u>	<u>396,000</u>	<u>399,050</u>	<u>3,050</u>
Expenditures				
Instruction	89,615	95,000	94,626	(374)
Instruction & Curriculum Development	-	-	-	-
General Administration	-	-	-	-
School Administration	910	1,000	2,000	1,000
Facility Acquisition and Construction	-	-	-	-
Fiscal Services	-	-	-	-
Food Services	260,000	300,000	305,011	5,011
Operation of Plant	-	-	-	-
Maintenance of Plant	-	-	-	-
Community Services	-	-	-	-
Capital Outlay:				
Other Capital Outlay	-	-	-	-
Total Expenditures	<u>350,525</u>	<u>396,000</u>	<u>401,637</u>	<u>5,637</u>
Excess of Revenue over Expenditures	-	-	(2,587)	(2,587)
<i>Other Financing Sources</i>				
Transfers in and (out)	-	-	2,587	2,587
Repayment of Credit Facility	-	-	-	-
Change in Fund Balance	-	-	-	-
Fund balance at the beginning of the year	-	-	-	-
Fund balance at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to required supplemental information.

ADVANCED LEARNING CHARTER SCHOOL
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET VS. ACTUAL - CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2013

	Budget		Actual	Final Variance
	Original	Final		
Revenue				
State passed through local school district	\$ 144,000	\$ 110,000	\$ 110,854	\$ 854
Local Sources	-	-	-	-
Gross Revenue	<u>144,000</u>	<u>110,000</u>	<u>110,854</u>	<u>854</u>
Expenditures				
Instruction	-	-	-	-
Instruction & Curriculum Development	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Facility Acquisition and Construction	-	-	-	-
Fiscal Services	-	-	-	-
Food Services	-	-	-	-
Operation of Plant	144,000	110,000	110,854	854
Maintenance of Plant	-	-	-	-
Community Services	-	-	-	-
Capital Outlay:				
Other Capital Outlay	-	-	-	-
Total Expenditures	<u>144,000</u>	<u>110,000</u>	<u>110,854</u>	<u>854</u>
Excess of Revenue over Expenditures	-	-	-	-
<i>Other Financing Sources</i>				
Transfers in and (out)	-	-	-	-
Repayment of Credit Facility	-	-	-	-
Change in Fund Balance	-	-	-	-
Fund balance at the beginning of the year	-	-	-	-
Fund balance at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to required supplemental information.

ADVANCED LEARNING CHARTER SCHOOL, INC.
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - BUDGETARY INFORMATION

Basis of accounting

The School's annual budgets are adopted for the entire operation at the combined governmental level and may be amended by the Board. Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major fund for which a legally adopted budget exists.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is at the fund level.



CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of Advanced Learning Charter School, Inc.
Miami, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Advanced Learning Charter School (the "School") which comprise the statement of net assets as of June 30, 2013, and the related statements of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

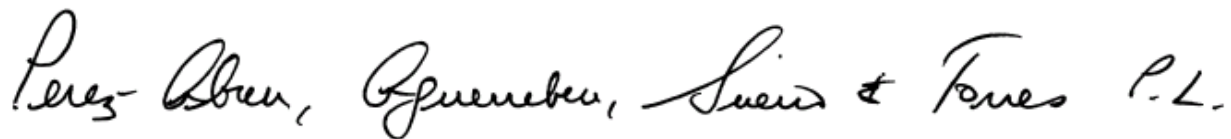
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We noted certain matters that we reported to management of the School in a separate letter dated August 30, 2013.

A handwritten signature in cursive script that reads "Perez-Abreu, Gueneba, Lucia & Torres P.L.".

Coral Gables, Florida
August 30, 2013



MANAGEMENT LETTER

Honorable Board of Directors of Advanced Learning Charter School, Inc.
Miami, Florida

We have audited the financial statements of the Advanced Learning Charter School, Inc. (the "School"), Florida, as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated August 30, 2013.

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 Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, dated August 30, 2013, should be considered in conjunction with this management letter.

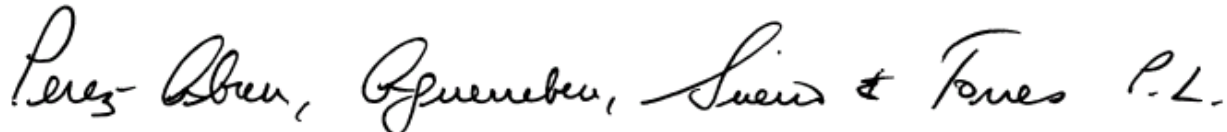
Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter schools and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned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

1. 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 noted and recommendations noted during the preceding annual financial audit report, except as noted below under the heading "Prior Year Findings and Recommendations."
2. Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the charter school has met one or more of the conditions 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 did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
3. 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 noted the following:
 - 2012-02: Income Tax Status - The School has not yet filed for exemption under section 501(c)3 of the Internal Revenue Code.

Honorable Board of Directors of
Advanced Learning Charter School, Inc.

4. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of 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 which warrants the attention of those charged with governance.
 - In connection with our audit, we did not have any such findings.
5. Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the school.
 - The official title of the school is Advanced Learning Charter School. Effective July 1, 2013, the School changed its title to HIVE Preparatory School.
6. Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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.
 - We have applied such procedures and no deteriorating financial condition has been noted.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Coral Gables Florida
August 30, 2013

Honorable Board of Directors of
Advanced Learning Charter School, Inc.

Prior Year Findings and Recommendations

2012-01: Payroll Management

As noted during the prior year, the School performed its own payroll calculations without the assistance of a third party.

- The School hired Professional Payroll to service the payroll function during the 2013 fiscal year.

2012-02: Income Tax Status

As noted during the prior year, the School had not yet filed for exemption under section 501(c)3 of the Internal Revenue Code.

- As of the 2013 audit report, the School has yet to file for exemption under section 501(c)3 of the Internal Revenue Code.

Perez-Abreu, Gueneba, Lucia & Torres P.L.

Certified Public Accountants
Coral Gables Florida
August 30, 2013

ADVANCED LEARNING CHARTER SCHOOL, INC.
MANAGEMENT'S RESPONSE TO AUDIT FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

The following is the School's response to the items noted in the Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards and Management Letter dated August 30, 2013, as required by Rule 10.857, Rules of the Auditor General:

2012-02

The School has not yet qualified for exempt status under section 501(c)3 of the Internal Revenue Code. We recommend that Management files for federal tax exemption under Internal Revenue Code 501(c)3 during the current fiscal year.

Response

Management recognizes the benefit of filing for Federal Tax Exempt status under IRS code section 501(c)3. During the 2012-13 school year, Management interviewed and had discussions with several CPA and Legal Firms regarding filing Form 1023 with the IRS to obtain 501(c)3 status. As of the date of this report, Management had not engaged a firm to assist with the filing of Form 1023 on its behalf. It is Management's intent to engage a firm to assist in obtaining 501(c)3 status.