

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF
MIAMI-DADE COUNTY, FLORIDA**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORTS THEREON**

JUNE 30, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Latin Builders Association Construction and Business Management Academy (the "School") presents Management's Discussion and Analysis, which is intended to provide an overview of the School's financial position and changes in financial position for the fiscal year ended June 30, 2015.

Since the focus of the Management's Discussion and Analysis (MD&A) is on the current year activities, resulting changes and currently known facts, it should be read in conjunction with the School's financial statements, including the accompanying notes.

FINANCIAL HIGHLIGHTS

The fiscal year ended June 30, 2015, was the School's third year of formal operations. The following are among the major financial highlights:

- At June 30, 2015, the School had a net position of approximately \$89,000.
- At June 30, 2015, the School had current assets of approximately \$229,000.
- For the year ended June 30, 2015, the School's revenues exceeded expenses by approximately \$29,000.
- For the year ended June 30, 2015, revenues increased by approximately \$339,000.
- For the year ended June 30, 2015, expenses increased by approximately \$390,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements and the notes thereto, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditors' report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual School Instruction Program Providers*.

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements Governmental Funds
Scope	Entire School	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position – the difference between the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position is an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no major business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has the following types of funds:

- *General funds* – is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.
- *Special Revenue Fund* – accounts for specific revenue, such as federal grants and capital outlay grants that are legally restricted to expenditures for particular purposes.
- *Debt Service Fund* – accounts for accumulation of resources for, and the payment of, general long-term debt principal and interest.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The following table provides the School's net position for the fiscal years ended June 30, 2015 and 2014:

	Governmental Activities		Increase	%
	2015	2014	(Decrease)	Change
Current and other assets	\$ 229,199	\$ 164,656	\$ 64,543	39%
Capital assets, net	62,140	15,837	46,303	292%
Total assets	<u>291,339</u>	<u>180,493</u>	<u>110,846</u>	61%
Current and other liabilities	119,825	75,609	44,216	58%
Noncurrent liability	82,733	44,818	37,915	85%
Total liabilities	<u>202,558</u>	<u>120,427</u>	<u>82,131</u>	68%
Net position (deficit):				
Net investment in capital assets	24,225	15,837	8,388	53%
Unrestricted	64,556	44,229	20,327	46%
Total net position (deficit)	<u>\$ 88,781</u>	<u>\$ 60,066</u>	<u>\$ 28,715</u>	48%

Current and other assets of the School, primarily consisting of cash, increased as a result of the current year operating surplus and increases in current and other liabilities. Capital assets increased due to capital lease acquisitions of technology related equipment to be used for instructional purposes. The increase in current and other liabilities was primarily the result of additional accrued payroll liabilities due to larger faculty staff. The noncurrent liabilities increased due to obligations incurred pertaining to equipment acquired through a capital lease. The change in total net position was due to the current year operating surplus and activity related to the capital asset acquisitions.

Change in Net Position

The following table compares the changes in the School's net position from its activities for the fiscal years ended June 30, 2015 and 2014:

Governmental Activities			Amount	%
	2015	2014	Increase (Decrease)	Change
Revenues:				
Federal sources	\$ 20,826	\$ 11,973	\$ 8,853	74%
State and local sources	963,206	655,539	307,667	47%
Contributions and other revenue	365,674	342,806	22,868	7%
Total revenues	1,349,706	1,010,318	339,388	34%
Expenses:				
Instruction	451,276	297,856	153,420	52%
Instructional support services	24,440	-	24,440	100%
Instructional media services	6,415	6,031	384	6%
Instruction related technology	66,059	49,760	16,299	33%
Instructional staff training	-	2,201	(2,201)	-100%
General administration	119,060	88,299	30,761	35%
Board	45,812	23,193	22,619	98%
School administration	236,101	162,190	73,911	46%
Pupil transportation	3,996	945	3,051	323%
Operation and maintenance of plant	68,144	29,105	39,039	134%
Interest on due to related party	2,096	1,765	331	19%
Fundraising and promotions	297,592	269,447	28,145	10%
Total expenses	1,320,991	930,792	390,199	42%
Change in net position	\$ 28,715	\$ 79,526	\$ (50,811)	-64%

State and local sources increased due primarily to an increase in student enrollment. Contributions and other revenue increased primarily due to increased donations as a result of additional fundraising and promotional events taking place during the year.

Substantially all expenses for functions other than fundraising and promotions, increased due to additional spending required to meet the needs of an increased enrollment taking place during the School's third year of operations. In addition, certain part time school administration personnel, and additional marketing and administrative costs were incurred during the year, which resulted in increased school administration expenses. Fundraising and promotions expense increased as a result of additional fundraising and promotional events taking place during the year.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial information is presented separately in the Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

As the School completed the fiscal year, its governmental funds reported a combined fund balance of \$109,374. The total combined fund balance was greater than the government wide net position as the amount of noncurrent liabilities exceeded the amount of capital assets, net at the end of the year.

General Fund Budgetary Highlights

Budget amendments, if necessary, generally fall into two categories:

- Changes made to account for changes in student enrollment.
- Increases in appropriations to prevent certain budget overruns.

For the year ended June 30, 2015, actual general fund revenues were approximately \$279,000 above the final budgeted amounts, which represents a budget variance of 27%. This variance is primarily due to additional fundraising income that was not included in the budget. Actual general fund expenditures were approximately \$265,000 above the final budgeted amounts primarily due to expenditures for fundraising and promotions that were not included in the budget. The School's fundraising and promotional events are coordinated by the efforts of the School's not-for-profit operator, The LBA Children & Families Foundation, Inc. Therefore, for practical purposes, the School's budget reflects the fundraising income and expenses on a net basis. Certain other school administration expenditures resulting from additional part time school administration personnel, and other administrative costs, were not anticipated in the budget. In total, the final budget variance with regards to general fund expenditures was 25%. Most of the variance was caused because for the budget the School netted fundraising expenses with fundraising income.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the School had \$62,140 in capital assets, net of accumulated depreciation. The School leases its facility, and much of the school's equipment is included as part of the lease. The School also leases certain instructional related technology. Additional information pertaining to the School's leases is presented in Notes 5 and 7 to the financial statements.

The School's major capital asset additions for the year ended June 30, 2015 were instructional media equipment with a cost of approximately \$59,700. Most of the additions resulted from a capital lease.

There were no capital asset disposals in the current year. The School's fiscal year 2016 capital budget does not include significant spending for capital assets. However, the School anticipates additional expenditures pertaining to instructional related technology. More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

ECONOMIC FACTORS

As a Charter School, the School receives most of its funding from FEFP, which are primarily State funds. The State of Florida, by constitution, does not have a state personal income tax and therefore, the state operates primarily using sales, gasoline and corporate income taxes.

NEXT YEAR'S BUDGET

For the year ending June 30, 2016, the School's original budget reflects the general fund revenue to be approximately \$1,290,000, excluding gross fundraising income. Budgeted FTE Revenue is approximately \$1,241,000, which is an increase over the year ended June 30, 2015 FTE Revenue of approximately \$963,000. Budgeted general fund expenditures excluding gross fundraising and promotions expenditures are expected to be approximately \$1,361,000, which is an increase from the actual year ended June 30, 2015 amount of \$1,343,076 for total expenditures. This increase is primarily the result of additional teachers and instructional support services, which are necessary for accommodating the projected increased enrollment. The School further anticipates additional expenditures for operation of plant. Next year's original budget also reflects, as part of general fund revenue, net fundraising income of \$30,000. The School does not anticipate that it will add any new major programs to the year ended June 30, 2016.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 13835 NW 97 Avenue, Hialeah, Florida 33018.

Sotolongo & Associates, P.A.

Certified Public Accountants

Report of Independent Auditors on Basic Financial Statements and Supplementary Information

To the Board of Directors of
Latin Builders Association Construction
and Business Management Academy
Hialeah, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund balance of Latin Builders Association Construction and Business Management Academy (the "School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2015, 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 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 from 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 includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating 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, the major fund and the aggregate remaining fund balance of Latin Builders Association Construction and Business Management Academy as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules on pages 1 through 7, and 27 and 28, respectively, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Latin Builders Association Construction and Business Management Academy's internal control over financial reporting and compliance.

Sotolongo & Associates, P.A.

Miami, Florida
August 28, 2015

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash	\$ 175,260
Contributions receivable	47,613
Prepaid expenses	6,326
Capital Assets:	
Furniture and equipment	\$ 19,920
Equipment under capital lease	58,680
Total capital assets	78,600
Less accumulated depreciation and amortization	(16,460)
Total capital assets, net	62,140
Total assets	\$ 291,339
LIABILITIES	
Salaries payable and other accrued expenses	\$ 119,825
Noncurrent liability:	
Due within one year	
Capital lease obligation	29,984
Due in more than one year:	
Capital lease obligation	7,931
Due to Related Party	44,818
Total liabilities	202,558
NET POSITION	
Net investment in capital assets	24,225
Unrestricted	64,556
Total net position	88,781
Total liabilities and net position	\$ 291,339

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

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instruction	\$ 451,276	\$ -	\$ 13,764	\$ -	\$ (437,512)	\$ (437,512)
Instructional support services	24,440	-	-	-	(24,440)	(24,440)
Instructional media services	6,415	-	-	-	(6,415)	(6,415)
Instruction related technology	66,059	-	7,062	-	(58,997)	(58,997)
General administration	119,060	-	-	-	(119,060)	(119,060)
Board	45,812	-	-	-	(45,812)	(45,812)
School administration	236,101	-	-	-	(236,101)	(236,101)
Pupil transportation	3,996	-	-	-	(3,996)	(3,996)
Operation and maintenance of plant	68,144	-	-	-	(68,144)	(68,144)
Interest on due to related party	2,096	-	-	-	(2,096)	(2,096)
Fundraising and promotions	297,592	-	-	-	(297,592)	(297,592)
Total governmental activities	\$ 1,320,991	\$ -	\$ 20,826	\$ -	\$ (1,300,165)	\$ (1,300,165)
			General revenues:			
			State and local sources	963,206	963,206	
			Contributions and other revenue	365,674	365,674	
			Total general revenues	1,328,880	1,328,880	
			Change in net position	28,715	28,715	
			Net position at beginning of year	60,066	60,066	
			Net position at end of year	\$ 88,781	\$ 88,781	

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

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General Fund</u>
ASSETS	
Cash	\$ 175,260
Contributions receivable	47,613
Prepaid expenses	<u>6,326</u>
Total assets	<u><u>\$ 229,199</u></u>
LIABILITIES AND FUND BALANCE	
Salaries payable and other accrued expenses	<u>\$ 119,825</u>
Total liabilities	<u>119,825</u>
Fund balance:	
Nonspendable	6,326
Unassigned	<u>103,048</u>
Total fund balance	<u>109,374</u>
Total liabilities and fund balance	<u><u>\$ 229,199</u></u>

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

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

JUNE 30, 2015

Total fund balance – governmental fund **\$ 109,374**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

The cost of capital assets is:	\$ 78,600	
Related accumulated depreciation and amortization is:	<u>(16,460)</u>	
Total capital assets, net		62,140

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

Capital lease obligation	(37,915)	
Due to Related Party	<u>(44,818)</u>	
		<u>(82,733)</u>

Total net position – governmental activities **\$ 88,781**

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

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
AND BUSINESS MANAGEMENT ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

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

FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Federal sources	\$ -	\$ 20,826	\$ -	\$ 20,826
State and local sources	963,206	-	-	963,206
Contributions and other revenue	365,674	-	-	365,674
Total revenues	<u>1,328,880</u>	<u>20,826</u>	<u>-</u>	<u>1,349,706</u>
EXPENDITURES				
Current:				
Instruction	437,512	13,764	-	451,276
Instructional support services	24,440	-	-	24,440
Instructional media services	6,415	-	-	6,415
Instruction related technology	42,170	7,062	-	49,232
General administration	119,060	-	-	119,060
Board	45,812	-	-	45,812
School administration	236,101	-	-	236,101
Pupil transportation	3,996	-	-	3,996
Operation and maintenance of plant	68,144	-	-	68,144
Interest on due to related party	2,096	-	-	2,096
Fundraising and promotions	297,592	-	-	297,592
Debt service	-	-	24,157	24,157
Capital outlay	59,738	-	-	59,738
Total expenditures	<u>1,343,076</u>	<u>20,826</u>	<u>24,157</u>	<u>1,388,059</u>
Excess of expenditures over revenues	<u>(14,196)</u>	<u>-</u>	<u>(24,157)</u>	<u>(38,353)</u>
Other financing sources				
Proceeds from capital lease obligation	58,680	-	-	58,680
Transfers in	-	-	24,157	24,157
Transfers out	<u>(24,157)</u>	<u>-</u>	<u>-</u>	<u>(24,157)</u>
Other financing sources, net	<u>34,523</u>	<u>-</u>	<u>24,157</u>	<u>58,680</u>
Net changes in fund balances	20,327	-	-	20,327
Fund balance at beginning of year	<u>89,047</u>	<u>-</u>	<u>-</u>	<u>89,047</u>
Fund balance at end of year	<u>\$ 109,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,374</u>

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

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

FOR THE YEAR ENDED JUNE 30, 2015

Net changes in fund balances – total governmental funds **\$ 20,327**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of capital acquisitions are allocated over their estimated useful lives and reported as depreciation expense.

The amount by which capital outlays exceeds depreciation expense is calculated as follows:

Capital outlays	\$	59,738	
Depreciation and amortization expense		<u>(13,435)</u>	
			<u>46,303</u>

The issuance of noncurrent debt provides current financial resources to governmental funds, while the repayment of the principal of noncurrent debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these transactions is as follows:

Proceeds from capital lease obligation		(58,680)	
Repayment of noncurrent debt principal		<u>20,765</u>	
			<u>(37,915)</u>

Change in net position of governmental activities **\$ 28,715**

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

**LATIN BUILDERS ASSOCIATION CONSTRUCTION
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THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE – 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Latin Builders Association Construction and Business Management Academy (the "School") is operated by The LBA Children & Families Foundation, Inc. (LBACFF), 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. The governing body of the School is the not-for-profit corporation's Board of Directors. The School commenced formal operations for the fiscal year ended June 30, 2013.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Miami-Dade County, Florida (the "School Board"). The current charter is effective until June 30, 2016, and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board's ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Recent accounting pronouncements

The School has adopted guidance issued by the GASB that established fund balance classifications that comprise a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This guidance improves the usefulness of fund balance information by clarifying the definitions of existing governmental fund types and providing additional classifications of fund balance.

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JUNE 30, 2015 (Continued)

The School implemented Governmental Accounting Standards Board (GASB) Statements 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and 65, Items Previously Reported as Assets and Liabilities, in the fiscal year ended June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Liabilities, Deferred Inflows of Resources, and Net Position.

Basis of presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund – to account for the proceeds of specific revenue sources, such as Federal grants and capital outlay grants that are restricted by law or administrative action to expenditure for specific purposes.
- Debt Service Fund – accounts for accumulation of resources for, and the payment of, general long-term debt principal and interest.

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JUNE 30, 2015 (Continued)

For purposes of these statements, the general fund constitutes a major fund. The special revenue and debt service funds are considered non-major funds.

Basis of accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current year or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the statement of net position and balance sheet – governmental funds, and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

Budgetary basis accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and purchased services).

Deposits and investments

Cash deposits are generally held by banks qualified as public depositories under Florida law. All deposits held by qualified public depositories are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool under Chapter 280, Florida Statutes. The School's cash consists primarily of demand deposits with financial institutions.

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JUNE 30, 2015 (Continued)

Contributions Receivable

Contributions receivable consists of donations and contributions to the School. Management performed an assessment of contributions receivable at June 30, 2015, which was based on its historical collection experience with donors and contributors, and determined that an allowance for doubtful accounts was not considered necessary.

Capital assets, depreciation and amortization

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation and amortization, in the government-wide financial statements. For purposes of recording capital assets, the School has a capitalization threshold of \$1,000. The School considers all capital assets to be used by the School's instruction related technology function, and has allocated 100% of the depreciation thereto.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Furniture, fixtures and equipment	4 – 10
Equipment capitalized under capital lease	5

Income taxes

The LBA Children & Families Foundation, Inc is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

LBACFF has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes. LBACFF assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that LBACFF believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service or the applicable state taxing authority. LBACFF believes all of its tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been evaluated following the same "more likely than not" measurement threshold. LBACFF has not accrued any interest and or penalties related to income taxes. LBACFF is subject to audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management of LBACFF believes the organization is no longer subject to income tax examinations for years prior to 2011.

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JUNE 30, 2015 (Continued)

Revenue sources

Revenues for current operations are received primarily from the District School Board of Miami-Dade County, Florida pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education ("FDOE") by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the Florida Education Finance Program ("FEFP"). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. This administrative fee is calculated on the FEFP revenue up to 250 students. For the year ended June 30, 2015, the administrative fee charged by the School Board was approximately \$48,000.

Revenues received from the District School Board of Miami-Dade County, Florida are recognized when considered earned, which is generally in the month when the moneys are received.

Revenues from non-exchange donations and contributions to the School are recognized when the donor's commitment to contribute has been obtained.

The School may receive 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.

Net Position and Fund Balance Classifications

Government-wide financial statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – consists of capital assets net of accumulated depreciation and amortization, and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
2. Restricted net position – consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. Management believes there are no restrictions on net position.
3. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 (Continued)

Fund Financial Statements

Generally accepted accounting principles define the different types of fund balances that a governmental entity must use for financial reporting purposes. Fund balance amounts are to be properly reported within one of the fund balance categories listed below:

1. Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans, and notes receivable, and property held for sale (unless the proceeds are restricted committed or assigned). All nonspendable fund balances at year end relate to assets not in spendable form.
2. Restricted – fund balance associated with amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. At June 30, 2015, the School did not have any restricted fund balances.
3. Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. At June 30, 2015, the School did not have any committed fund balances.
4. Assigned – fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. At June 30, 2015, the School did not have assigned fund balances.
5. Unassigned – fund balance classification is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications.

Fund balance spending policy

The School's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, and then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the School's board of directors. There are no minimum fund balance requirements for any of the School's funds.

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JUNE 30, 2015 (Continued)

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has no items that meet this criterion.

Subsequent events

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through August 28, 2015, which is the date the financial statements were available to be issued.

NOTE – 2 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Furniture and equipment	\$ 18,862	\$ 1,058	\$ -	\$ 19,920
Equipment under capital lease	-	58,680	-	58,680
Total capital assets at historical cost	<u>18,862</u>	<u>59,738</u>	<u>-</u>	<u>78,600</u>
Less accumulated depreciation and amortization for:				
Furniture and equipment	(3,025)	(3,655)	-	(6,680)
Equipment under capital lease	-	(9,780)	-	(9,780)
Total accumulated depreciation and amortization	<u>(3,025)</u>	<u>(13,435)</u>	<u>-</u>	<u>(16,460)</u>
Governmental activities capital assets, net	<u>\$ 15,837</u>	<u>\$ 46,303</u>	<u>\$ -</u>	<u>\$ 62,140</u>

Depreciation expense and amortization expense of \$3,655 and \$9,780, respectively, is charged 100% to instruction related technology function.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 (Continued)

NOTE – 3 SCHEDULES OF FEDERAL, STATE AND LOCAL REVENUE SOURCES

The following are schedules of federal, state and local revenue sources for the year ended June 30, 2015:

District School Board of Miami-Dade County, Florida:

Florida Education Finance Program	\$ 726,151
Class size reduction	147,612
Supplemental academic instruction	52,950
ESE guaranteed allocation	12,786
Instructional materials	11,713
Safe schools	4,464
EEC Allocation	791
Other	6,739
Total	<u><u>\$ 963,206</u></u>

Federal Sources

Title 1 Program	<u><u>\$ 20,826</u></u>
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NOTE – 4 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

NOTE – 5 COMMITMENTS AND CONTINGENT LIABILITIES

The School receives a majority of its funding from the School Board 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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 (Continued)

Legal matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of Management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

Lease commitments

The School leases its school facility, inclusive of all classrooms, parking and ancillary spaces, located at 13835 NW 97 Avenue, Hialeah, Florida 33018 from the School Board. This lease requires the School to pay the School Board for its proportionate share of operating expenses related to the leased facility, which include building and grounds maintenance, custodial, and janitorial services, trash pick-up, utilities, and property insurance. As part of the lease, the School is able to use the furniture, fixtures, and equipment that is located within the leased facility. The initial term the lease agreement was for the period from August 1, 2012 to June 30, 2013 and was renewed by the School Board for a third additional term ending on December 31, 2015. The lease is cancellable by the School or the School Board without penalty by either party providing proper written notice at least 90 days prior to the effective date of said cancellation, provided that the effective date of such cancellation does not fall during the regular school year as defined by the Miami-Dade County Public Schools' Elementary and Secondary School Calendar. Pursuant to the lease agreement, if the School's Management Agreement (Note 6) is cancelled, terminated or expires, the lease agreement will also be cancelled. The total expense related to this lease for the fiscal year ended June 30, 2015 was approximately \$68,000, and is included in the caption operation and maintenance of plant in the accompanying financial statements.

The School leases certain office equipment and various tablet computers under non-cancellable operating leases that expire in the fiscal year ending June 30, 2016. For the fiscal year ended June 30, 2015, the lease expense for these items was approximately \$5,000 and \$34,000, respectively, and is included in the captions school administration and instructional related technology, respectively. The following is a schedule of future minimum lease payments pertaining to these operating leases.

Year ending June 30,	Amount
2016	\$ 1,951
Total	<u>\$ 1,951</u>

The School also leases additional equipment, which is considered a capital lease and further described in Note 7.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 (Continued)

NOTE – 6 MANAGEMENT AGREEMENT

The School has a management agreement (“Agreement”) with the School Board to provide management and administration services to the School. The Agreement calls for the School to pay the School Board an annual management fee of \$440 per full-time equivalent student. This fee is payable in equal monthly installments and may be waived until the School has the ability to pay the fee without creating a condition of financial emergency. For fiscal year ended June 30, 2015, the School incurred approximately \$70,000 in expenses pertaining to this agreement, which are included under the caption of general administration. The term of the management agreement has been renewed for the year ending June 30, 2016.

NOTE – 7 DUE TO RELATED PARTY AND CAPITAL LEASE OBLIGATION

Due to Related Party

At June 30, 2015, the School owed the Latin Builders Association, Inc. (LBA) \$44,818 pertaining to certain advances the LBA provided to the School during the fiscal year ended June 30, 2013. The LBA is considered a related party, as certain members of its board of directors are also members of the board of directors of LBACFF, which serves as the School's governing board. The promissory note (the "Note") for the advances has an effective date of August 10, 2013, and shall be payable on or before September 1, 2023, at which time the entire unpaid interest and principal balance shall be due and payable. The note bears interest at a rate of 4.5% per annum, and interest begins to accrue as of the effective date of the Note agreement. The Note can be prepaid by the School without incurring a prepayment penalty.

Capital Lease Obligation

The School has an obligation related to technology equipment acquired under a capital lease during the year ended June 30, 2015. Pursuant to the lease agreement, monthly payments of \$2,684 are payable for 24 months. The School calculated the interest rate on the capital lease to be 9.1258%. Interest incurred on the capital lease during the year ended June 30, 2015 was approximately \$3,400, and is included under the caption instruction related technology in the statement of activities.

The following summarizes the activity for the due to related party and the capital lease obligation during the year ended June 30, 2015:

	Related Party Liability	Capital Lease Obligation	Total
Balance outstanding at beginning of year	\$ 44,818	\$ -	\$ 44,818
Additions	-	58,680	58,680
Reductions	-	(20,765)	(20,765)
Balance outstanding at end of year	<u>\$ 44,818</u>	<u>\$ 37,915</u>	<u>\$ 82,733</u>
Amount due within one year	<u>\$ -</u>	<u>\$ 29,984</u>	<u>\$ 29,984</u>

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JUNE 30, 2015 (Continued)

The following table summarizes the School's future debt service requirements under the related party liability and future amounts due under the capital lease obligation as of June 30, 2015:

Year ending June 30,	Related Party Liability	Capital Lease Obligation		Total
		Principal	Interest	
2016	\$ -	\$ 29,984	\$ 2,227	\$ 32,211
2017	-	7,931	121	8,052
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021 - 2023	44,818	-	-	44,818
Total	<u>\$ 44,818</u>	<u>\$ 37,915</u>	<u>\$ 2,348</u>	<u>\$ 85,081</u>

Included under the caption salaries payable and other accrued expenses at June 30, 2015, is accrued interest payable pertaining to the Note of approximately \$3,860. Also included under the caption salaries payable and other accrued expenses is approximately \$12,300 payable to the LBA for a short term advance, which is expected to be paid during the fiscal year ending June 30, 2016.

NOTE – 8 RELATED PARTY CONTRIBUTIONS

Included within contributions and other revenue in the accompanying financial statements are approximately \$36,000 in contributions from certain entities that are affiliated with members of the governing board of LBACFF.

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Original	Budgeted Final	GAAP Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
State and local sources	\$ 1,102,500	\$ 1,033,200	\$ 963,206	\$ (69,994)
Contributions and other revenue	16,500	16,500	365,674	349,174
Total revenues	1,119,000	1,049,700	1,328,880	279,180
EXPENDITURES				
Current:				
Instruction	490,203	515,563	437,512	78,051
Instructional support services	59,250	12,807	24,440	(11,633)
Instructional media services	20,000	23,000	6,415	16,585
Instruction related technology	52,000	52,000	42,170	9,830
Instructional staff training	2,000	2,000	-	2,000
General administration	137,125	133,820	119,060	14,760
Board	26,000	26,500	45,812	(19,312)
School administration	156,350	181,967	236,101	(54,134)
Pupil transportation	1,500	1,500	3,996	(2,496)
Operation and maintenance of plant	80,000	80,000	68,144	11,856
Interest on due to related party	-	-	2,096	(2,096)
Fundraising and promotions	-	-	297,592	(297,592)
Debt service	49,000	49,000	-	49,000
Capital outlay	-	-	59,738	(59,738)
Total expenditures	1,073,428	1,078,157	1,343,076	(264,919)
Other financing sources, net	-	-	34,523	34,523
Net changes in fund balance	\$ 45,572	\$ (28,457)	20,327	\$ 14,261
Fund balance at beginning of year			89,047	
Fund balance at end of year			\$ 109,374	

See report of independent auditors.

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>GAAP Actual</u>	Variance with Final Budget- Positive (Negative)
REVENUES				
Federal Sources	\$ 20,826	\$ 20,826	\$ 20,826	\$ -
Total revenues	<u>20,826</u>	<u>20,826</u>	<u>20,826</u>	<u>-</u>
EXPENDITURES				
Current:				
Instruction	13,764	13,764	13,764	
Instruction related technology	7,062	7,062	7,062	-
Total expenditures	<u>20,826</u>	<u>20,826</u>	<u>20,826</u>	<u>-</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund balance at beginning of year			<u>-</u>	
Fund balance at end of year			<u>\$ -</u>	

See report of independent auditors.

NOTES TO BUDGETARY COMPARISON SCHEDULES

The School's budgets presented in the accompanying budgetary comparison schedules are annually adopted, and prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. Amendments to the School's budgets can only be made with the approval of the board of directors.

Sotolongo & Associates, P.A.

Certified Public Accountants

Report of Independent Auditors 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
Latin Builders Association Construction
and Business Management Academy
Hialeah, 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 accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Latin Builders Association Construction and Business Management Academy (the "School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 28, 2015.

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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sotolongo & Associates, P.A.

Miami, Florida
August 28, 2015

ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE FLORIDA AUDITOR GENERAL,
CHAPTER 10.850, *AUDITS OF CHARTER SCHOOLS AND SIMILAR
ENTITIES, FLORIDA VIRTUAL SCHOOL, AND VIRTUAL SCHOOL
INSTRUCTION PROGRAM PROVIDERS*

Sotolongo & Associates, P.A.

Certified Public Accountants

To the Board of Directors of
Latin Builders Association Construction
and Business Management Academy
Hialeah, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Latin Builders Association Construction and Business Management Academy (the "School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2015, and have issued our report thereon dated August 28, 2015.

Auditor's Responsibility

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 and Chapter 10.850, Rules of the Auditor General.

Other Reporting Required by *Government Auditing Standards*

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*. Disclosures in that report, which is dated, August 28, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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. There were no findings and recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the School is Latin Builders Association Construction and Business Management Academy. The name of the not-for-profit entity that operates the School is The LBA Children & Families Foundation, Inc.

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Latin Builders Association Construction and Business Management Academy 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 Latin Builders Association Construction and Business Management Academy did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the Latin Builders Association Construction and Business Management Academy. It is management's responsibility to monitor the Latin Builders Association Construction and Business Management Academy'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 performed the financial condition assessment procedures for the year ended June 30, 2015, which included calculation and analysis of certain financial indicators we considered relevant to the School. No deteriorating financial condition was noted as a result of this assessment.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether Latin Builders Association Construction and Business Management Academy maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Latin Builders Association Construction and Business Management Academy maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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 did not have any such recommendations.

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.

Purpose of this Letter

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, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Sotolongo & Associates, P.A." The signature is written in a cursive, flowing style.

Miami, Florida
August 28, 2015