

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

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

**JUNE 30, 2016**

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# **Sotolongo & Associates, P.A.**

## **Certified Public Accountants**

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### **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 Gardens, 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 information of Latin Builders Association Construction and Business Management Academy (the "School"), a charter school sponsored by the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2016, 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 opinions.

## **Opinions**

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 information of Latin Builders Association Construction and Business Management Academy as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance 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 3 through 9, and 28 and 29, 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 29, 2016, 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 29, 2016

## 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, 2016.

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 following are among the School's major financial highlights:

- At June 30, 2016, the School had a net position of approximately \$158,000.
- At June 30, 2016, the School had current assets of approximately \$235,000.
- For the year ended June 30, 2016, the School's revenues exceeded expenses by approximately \$69,000.
- For the year ended June 30, 2016, revenues increased by approximately \$61,000.
- For the year ended June 30, 2016, expenses increased by approximately \$21,000.

### 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 Fund* – 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.
- *Capital Projects Fund* – accounts for the financial resources accumulated that are restricted for capital outlays.

## 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, 2016 and 2015:

	Governmental Activities		Increase	%
	2016	2015	(Decrease)	Change
Current and other assets	\$ 235,385	\$ 229,199	\$ 6,186	3%
Capital assets, net	91,570	62,140	29,430	47%
Security deposit	9,408	-	9,408	
Total assets	<u>336,363</u>	<u>291,339</u>	<u>45,024</u>	15%
Current and other liabilities	95,499	119,825	(24,326)	-20%
Noncurrent liability	83,252	82,733	519	1%
Total liabilities	<u>178,751</u>	<u>202,558</u>	<u>(23,807)</u>	-12%
Net position:				
Net investment in capital assets	59,188	24,225	34,963	144%
Restricted	14,500	-	14,500	
Unrestricted	83,924	64,556	19,368	30%
Total net position	<u>\$ 157,612</u>	<u>\$ 88,781</u>	<u>\$ 68,831</u>	78%

Current and other assets of the School, which primarily consist of cash, increased primarily as a result of the current fiscal year operating surplus. The increase in capital assets was primarily the result of a new capital lease for tablets, and costs related to leasehold improvements for a new facility. Current and other liabilities decreased primarily as a result of lower accrued expenses and other liabilities associated with fundraising events. The noncurrent liabilities increased as a result of increases in accrued interest liability. The change in total net position was due to the current fiscal year operating surplus.



## 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, 2016 and 2015:

Governmental Activities			Amount	%
	2016	2015	Increase (Decrease)	Change
Revenues:				
Federal sources	\$ 26,910	\$ 20,826	\$ 6,084	29%
State sources	1,153,558	963,206	190,352	20%
Contributions and other revenue	230,064	365,674	(135,610)	-37%
Total revenues	<u>1,410,532</u>	<u>1,349,706</u>	<u>60,826</u>	5%
Expenses:				
Instruction	600,930	451,276	149,654	33%
Instructional support services	51,323	24,440	26,883	100%
Instructional staff training	1,310	6,415	(5,105)	-80%
Instruction related technology	64,739	62,667	2,072	3%
General administration	111,442	119,060	(7,618)	-6%
Board and fiscal services	25,382	45,812	(20,430)	-45%
School administration	178,671	236,101	(57,430)	-24%
Pupil transportation	925	3,996	(3,071)	-77%
Operation and maintenance of plant	105,102	68,144	36,958	54%
Interest on capital lease obligation	4,761	3,392	1,369	40%
Interest on due to related party	2,190	2,096	94	4%
Fundraising and promotions	194,926	297,592	(102,666)	-34%
Total expenses	<u>1,341,701</u>	<u>1,320,991</u>	<u>20,710</u>	2%
Change in net position	<u>\$ 68,831</u>	<u>\$ 28,715</u>	<u>\$ 40,116</u>	140%

State source revenue increased primarily as a result of an increase in student enrollment. Contributions and other revenue decreased primarily due to decreased donations as a result of a reduction in the number of fundraising and promotional events taking place during the fiscal year.

Instructional functions increased due to additional spending required to meet the needs of an increased enrollment. School administration expenses were reduced as certain part time school administration personnel, and additional marketing and administrative costs were not incurred during the fiscal year. Operation and maintenance of plant expenses increased primarily as a result of an increase in the amount square footage used by the School during the fiscal year. Fundraising and promotions expense decreased as a result of a reduction in the number of fundraising and promotional events taking place during the fiscal 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 \$139,886. The total combined fund balance was less than the government wide net position as the total amount for capital assets, net and deposit at the end of the fiscal year exceeded the noncurrent liability.

### **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, 2016, actual general fund revenues were approximately \$142,000 above the final budgeted amounts, which represents a budget variance of 11%. This variance was primarily due to additional fundraising income that was not included in the budget. Actual general fund expenditures were approximately \$81,000 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 6%. 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, 2016, the School had \$91,570 in capital assets, net of accumulated depreciation and amortization. For the year ended June 30, 2016, the School's lease for its facility included the use of certain equipment used for instructional purposes. The School also leases certain instruction 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, 2016 were tablets obtained through a capital lease and leasehold improvements. Total cost of the additions was approximately \$51,900. The leasehold improvements pertain to a lease for the School's new facility, which the School anticipates occupying during the 2016-2017 school year. More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

There were no capital asset disposals in the current fiscal year. For 2016-2017, the School anticipates to spend approximately \$400,000 in leasehold improvements, school equipment, and furniture. In July 2016, the School obtained a bank loan in order to finance the anticipated expenditures. More information related to the bank loan is presented in Note 9 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, 2017, the School's original budget reflects the general fund revenue to be approximately \$1,265,000. Budgeted revenue from state sources is approximately \$1,167,000, which is an increase over the year ended June 30, 2016 state source revenue of \$1,153,558. Budgeted general fund expenditures are expected to be approximately \$1,245,000, which is a decrease from the actual year ended June 30, 2016 amount of \$1,346,678 for total expenditures. This decrease is primarily the result of planned cost reductions across all functional categories. As mentioned above under the section for capital assets, the School further anticipates capital outlay expenditures accounted through a capital projects fund for planned leasehold improvements, acquisitions of school furniture, and equipment to be used in the School's newly leased facility. The School does not anticipate that it will add any new major programs to the year ending June 30, 2017.

### **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 11093 NW 138<sup>th</sup> Street #207, Hialeah Gardens, Florida 33018.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION  
AND BUSINESS MANAGEMENT ACADEMY  
A CHARTER SCHOOL SPONSORED BY  
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**STATEMENT OF NET POSITION**

**JUNE 30, 2016**

		Governmental Activities
<b>ASSETS</b>		
Cash		\$ 231,840
Receivables		2,514
Prepaid expenses		1,031
Capital Assets:		
Furniture and equipment	\$ 19,920	
Equipment under capital lease	99,075	
Leasehold improvements	11,487	
Total capital assets	130,482	
Less accumulated depreciation and amortization	(38,912)	
Total capital assets, net		91,570
Security deposit		9,408
Total assets		\$ 336,363
<b>LIABILITIES</b>		
Salaries payable and other accrued expenses		\$ 95,499
Noncurrent liability:		
Due within one year:		
Capital lease obligations		28,728
Due in more than one year:		
Capital lease obligations		3,654
Due to Related Party		44,818
Accrued interest related party		6,052
Total liabilities		178,751
<b>NET POSITION</b>		
Net investment in capital assets		59,188
Restricted		14,500
Unrestricted		83,924
Total net position		157,612
Total liabilities and net position		\$ 336,363

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

**LATIN BUILDERS ASSOCIATION CONSTRUCTION  
AND BUSINESS MANAGEMENT ACADEMY  
A CHARTER SCHOOL SPONSORED BY  
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**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	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	\$ 600,930	\$ -	\$ -	\$ -	\$ (600,930)	\$ (600,930)
Instructional support services	51,323	-	270	-	(51,053)	(51,053)
Instructional staff training	1,310	-	-	-	(1,310)	(1,310)
Instruction related technology	64,739	-	26,640	-	(38,099)	(38,099)
General administration	111,442	-	-	-	(111,442)	(111,442)
Board and fiscal services	25,382	-	-	-	(25,382)	(25,382)
School administration	178,671	-	-	-	(178,671)	(178,671)
Facilities acquisition and construction	-	-	-	14,500	14,500	14,500
Pupil transportation	925	-	-	-	(925)	(925)
Operation and maintenance of plant	105,102	-	-	-	(105,102)	(105,102)
Interest on capital lease obligation	4,761	-	-	-	(4,761)	(4,761)
Interest on due to related party	2,190	-	-	-	(2,190)	(2,190)
Fundraising and promotions	194,926	-	-	-	(194,926)	(194,926)
<b>Total governmental activities</b>	<b>\$ 1,341,701</b>	<b>\$ -</b>	<b>\$ 26,910</b>	<b>\$ 14,500</b>	<b>\$ (1,300,291)</b>	<b>\$ (1,300,291)</b>
			General revenues:			
				State sources	1,153,558	1,153,558
				Contributions and other revenue	215,564	215,564
				<b>Total general revenues</b>	<b>1,369,122</b>	<b>1,369,122</b>
				Change in net position	68,831	68,831
				Net position at beginning of year	88,781	88,781
				Net position at end of year	<b>\$ 157,612</b>	<b>\$ 157,612</b>

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

**LATIN BUILDERS ASSOCIATION CONSTRUCTION  
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**BALANCE SHEET – GOVERNMENTAL FUNDS**

**JUNE 30, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 217,340	\$ 14,500	\$ 231,840
Receivables	2,514	-	2,514
Prepaid expenses	<u>1,031</u>	<u>-</u>	<u>1,031</u>
Total assets	<u>\$ 220,885</u>	<u>\$ 14,500</u>	<u>\$ 235,385</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Salaries payable and other accrued expenses	<u>\$ 95,499</u>	<u>\$ -</u>	<u>\$ 95,499</u>
Total liabilities	<u>95,499</u>	<u>-</u>	<u>95,499</u>
Fund balance:			
Nonspendable	1,031	-	1,031
Restricted	-	14,500	14,500
Unassigned	<u>124,355</u>	<u>-</u>	<u>124,355</u>
Total fund balance	<u>125,386</u>	<u>14,500</u>	<u>139,886</u>
Total liabilities and fund balance	<u>\$ 220,885</u>	<u>\$ 14,500</u>	<u>\$ 235,385</u>

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

**LATIN BUILDERS ASSOCIATION CONSTRUCTION  
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**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE  
STATEMENT OF NET POSITION**

**JUNE 30, 2016**

**Total fund balance – governmental fund** \$ 139,886

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:	\$ 130,482	
Related accumulated depreciation and amortization is:	<u>(38,912)</u>	
Total capital assets, net		91,570

Security deposit on leasehold property	9,408
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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 obligations	(32,382)	
Due to Related Party	(44,818)	
Accrued interest related party	<u>(6,052)</u>	
		<u>(83,252)</u>

**Total net position – governmental activities** \$ 157,612

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

**LATIN BUILDERS ASSOCIATION CONSTRUCTION  
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**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>					
Federal sources	\$ -	\$ 26,910	\$ -	\$ -	\$ 26,910
State sources	1,153,558	-	-	-	1,153,558
Contributions and other revenue	215,564	-	-	14,500	230,064
Total revenues	<u>1,369,122</u>	<u>26,910</u>	<u>-</u>	<u>14,500</u>	<u>1,410,532</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	600,930	-	-	-	600,930
Instructional support services	51,053	270	-	-	51,323
Instructional staff training	1,310	-	-	-	1,310
Instruction related technology	15,647	26,640	-	-	42,287
General administration	111,442	-	-	-	111,442
Board and fiscal services	25,382	-	-	-	25,382
School administration	178,671	-	-	-	178,671
Pupil transportation	925	-	-	-	925
Operation and maintenance of plant	114,510	-	-	-	114,510
Fundraising and promotions	194,926	-	-	-	194,926
Debt service:					
Principal paid on capital lease obligation	-	-	45,928	-	45,928
Interest on capital lease obligation	-	-	4,761	-	4,761
Capital outlay	51,882	-	-	-	51,882
Total expenditures	<u>1,346,678</u>	<u>26,910</u>	<u>50,689</u>	<u>-</u>	<u>1,424,277</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>22,444</u>	<u>-</u>	<u>(50,689)</u>	<u>14,500</u>	<u>(13,745)</u>
Other financing sources					
Proceeds from capital lease obligation	40,395	-	-	-	40,395
Transfers in	-	-	50,689	-	50,689
Transfers out	(50,689)	-	-	-	(50,689)
Other financing sources, net	<u>(10,294)</u>	<u>-</u>	<u>50,689</u>	<u>-</u>	<u>40,395</u>
Net changes in fund balances	12,150	-	-	14,500	26,650
Fund balance at beginning of year	109,374	-	-	-	109,374
Restatement (Note 10)	3,862	-	-	-	3,862
Fund balance at end of year	<u>\$ 125,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,500</u>	<u>\$ 139,886</u>

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



**LATIN BUILDERS ASSOCIATION CONSTRUCTION  
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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, 2016**

**Net changes in fund balances – total governmental funds** **\$ 26,650**

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 and amortization expense and allocated to functions.

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

Capital outlays	\$	51,882	
Depreciation and amortization expense		<u>(22,452)</u>	
			29,430

Security deposit on long-term lease 9,408

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		(40,395)	
Interest on due to related party		(2,190)	
Repayment of noncurrent debt principal		<u>45,928</u>	
			<u>3,343</u>

**Change in net position of governmental activities** **\$ 68,831**

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

**LATIN BUILDERS ASSOCIATION CONSTRUCTION  
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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**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"). During the year ended June 30, 2016, the charter was renewed for 10 years until June 30, 2026. 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 sponsored by the School Board and is considered to be a governmental entity under the Governmental Accounting Standards Board's ("GASB") accounting guidance; therefore, for financial reporting purposes, the School follows 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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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016 (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, Deferred Outflows of Resources, 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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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016 (Continued)**

- Capital Projects Fund – to account for the financial resources accumulated that are restricted for capital outlays.

For purposes of these statements, the general fund constitutes a major fund. The special revenue, debt service, and capital projects 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**

The School maintains its cash accounts in financial institutions subject to insurance coverage issued by the Federal Deposit Insurance Corporation (the “FDIC”). Under FDIC rules, the School is entitled to aggregate coverage of \$250,000 per financial institution. As of June 30, 2016, the School did not have deposits with custodial credit risk exposure in excess of FDIC coverage.

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**JUNE 30, 2016 (Continued)**

The School has not formally adopted an investment policy regarding custodial credit risk; however, Management of the School believes the stability and financial strength of the financial institutions significantly reduces the custodial credit risk.

**Receivables**

Receivables consist of donations, contributions, and other amounts due to the School. Management performed an assessment of receivables at June 30, 2016, which was based on its historical collection experience, 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	5
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.

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**JUNE 30, 2016 (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 an 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 based on an applicable percentage of the FEFP revenue up to 250 students. For the year ended June 30, 2016, the administrative fee charged by the School Board was approximately \$29,000.

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 and eligibility has been met.

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. At June 30, 2016, the School had \$14,500 for restricted net position, which was a result of contributions received that are restricted for capital projects.

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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016 (Continued)**

3. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

***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, 2016, the School had \$14,500 of restricted fund balance, which was a result of contributions received restricted for capital projects.
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, 2016, 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, 2016, 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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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016 (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 29, 2016, 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, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Furniture and equipment	\$ 19,920	\$ -	\$ -	\$ 19,920
Equipment under capital lease	58,680	40,395	-	99,075
Leasehold improvements	-	11,487	-	11,487
Total capital assets at historical cost	<u>78,600</u>	<u>51,882</u>	<u>-</u>	<u>130,482</u>
Less accumulated depreciation and amortization for:				
Furniture and equipment	(6,680)	(3,983)	-	(10,663)
Equipment under capital lease	(9,780)	(18,469)	-	(28,249)
Leasehold improvements	-	-	-	-
Total accumulated depreciation and amortization	<u>(16,460)</u>	<u>(22,452)</u>	<u>-</u>	<u>(38,912)</u>
Governmental activities capital assets, net	<u>\$ 62,140</u>	<u>\$ 29,430</u>	<u>\$ -</u>	<u>\$ 91,570</u>

Depreciation expense and amortization expense of \$3,983 and \$18,469, respectively, is charged 100% to instruction related technology function. The leasehold improvements are related to a new facility described in Note 5, and not placed in service as of June 30, 2016.



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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016 (Continued)**

**NOTE – 3 SCHEDULES OF STATE AND FEDERAL REVENUE SOURCES**

The following are schedules of state and federal revenue sources for the year ended June 30, 2016:

State Sources:

Florida Education Finance Program	\$ 885,887
Class size reduction	172,010
Supplemental academic instruction	61,353
ESE guaranteed allocation	9,785
Instructional materials	13,643
Safe schools	5,173
Other	<u>5,707</u>
Total	<u><u>\$ 1,153,558</u></u>

Federal Sources:

Title 1 Program	<u><u>\$ 26,910</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, 2016 (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**

During the year ended June 30, 2016, the School leased its school facility, inclusive of all classrooms, parking and ancillary spaces from the School Board. This lease required the School to pay the School Board for its proportionate share of operating expenses related to the leased facility, which included building and grounds maintenance, custodial, and janitorial services, trash pick-up, utilities, and property insurance. As part of the lease, the School was able to use the furniture, fixtures, and equipment that were 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 several additional terms, which ended on June 30, 2016. The total expense related to this lease for the fiscal year ended June 30, 2016 was approximately \$93,000, and is included in the caption operation and maintenance of plant in the accompanying financial statements. Included in salaries payable and accrued expenses at June 30, 2016, is \$7,040 due to the School Board pertaining to additional amounts due for operating costs of the lease.

In June 2016, the School executed a lease for approximately 14,000 square feet in Hialeah Gardens, Florida for the School's new facility expected to be occupied during the 2016-2017 school year. The lease is for a period of ten years, commencing when the landlord delivers the premises to the School, and has two five year renewal options. Pursuant to the lease agreement, the initial twelve months of rent shall be abated, however, during this period the School is required to pay Common Area Maintenance, as defined in the lease agreement. In the second year of the lease, monthly rent is charged at \$9,407 with an annual increase of 1.75% for each additional year thereafter.

The School leases various tablets used for instruction, which are currently being paid on a month to month basis. For the fiscal year ended June 30, 2016, the lease expense for the tablets was approximately \$18,000 and is included within the instruction related technology function.

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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016 (Continued)**

The following is a schedule of future minimum lease payments pertaining to non-cancellable operating leases.

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ -
2018	112,884
2019	114,864
2020	116,880
2021	118,920
2021 - 2026	<u>626,532</u>
Total	<u>\$ 1,090,080</u>

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

**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. For fiscal year ended June 30, 2016, the School incurred approximately \$82,700 in expenses pertaining to this agreement, which are included under the caption of general administration. The management agreement is currently in the process of being renewed, and the School expects the agreement to be in effect for the term of the School’s charter, unless earlier terminated as provided for in the management agreement.

**NOTE – 7 DUE TO RELATED PARTY AND CAPITAL LEASE OBLIGATION**

**Due to Related Party**

At June 30, 2016, 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. Accrued interest due on the Note at June 30, 2016, was \$6,052, and interest incurred during the year was \$2,190.

**Capital Lease Obligations**

The School has two capital lease obligations related to technology equipment. Pursuant to the lease agreements, monthly payments of \$2,684 and \$1,848 are payable for 24 months. The School calculated the interest rate on the capital lease to be 9.13%. Interest incurred on the capital lease during the year ended June 30, 2016, was approximately \$4,800.

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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016 (Continued)**

The following summarizes the activity for the due to related party and the capital lease obligations during the year ended June 30, 2016:

	<b>Related Party Liability</b>	<b>Capital Lease Obligations</b>	<b>Total</b>
Balance outstanding at beginning of year	\$ 44,818	\$ 37,915	\$ 82,733
Additions	-	40,395	40,395
Reductions	-	(45,928)	(45,928)
Balance outstanding at end of year	<u>\$ 44,818</u>	<u>\$ 32,382</u>	<u>\$ 77,200</u>
Amount due within one year	<u>\$ -</u>	<u>\$ 28,728</u>	<u>\$ 28,728</u>

The following table summarizes the School's future debt service requirements under the related party liability and future amounts due under the capital lease obligations as of June 30, 2016:

<b>Year ending June 30,</b>	<b>Related Party Liability</b>		<b>Capital Lease Obligations</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ -	\$ -	\$ 28,728	\$ 1,497	\$ 28,728	\$ 1,497
2018	-	-	3,654	42	3,654	42
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022 - 2024	44,818	20,301	-	-	44,818	20,301
Total	<u>\$ 44,818</u>	<u>\$ 20,301</u>	<u>\$ 32,382</u>	<u>\$ 1,539</u>	<u>\$ 77,200</u>	<u>\$ 21,840</u>

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, 2017.

**NOTE – 8 RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2016, the School received approximately \$22,000 in contributions from certain entities that are affiliated with members of the governing board of LBACFF.

During the year ended June 30, 2016, the LBACFF paid the LBA approximately \$27,000 related to management fees for fundraising and promotion events undertaken by LBACFF on behalf of the School.

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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016 (Continued)**

**NOTE – 9      SUBSEQUENT EVENTS**

In July 2016, LBACFF executed a loan agreement with a bank for the purpose of financing leasehold improvements for the lease of the School's new facility, which is described in Note 5. The loan amount is \$400,000, and the term of the loan is five years. The loan is to be repaid in 59 monthly payments of principal and interest based on a ten year amortization schedule. A balloon payment of the outstanding principal and interest shall be due at maturity. The loan has an annual fixed rate of 4.75%. The proceeds of the loan, along with certain other restricted funds received via donor contributions, are intended to be used by the School for costs associated with leasehold improvements, and acquisitions of school furniture and school equipment for the new facility. The School anticipates that it will occupy the new facility during the 2016-2017 school year.

**NOTE – 10      RESTATEMENT**

During the year ended June 30, 2016, the School made a prior period adjustment to increase the general fund balance at June 30, 2015 by \$3,862. In prior years, the School had recognized in the general fund interest expenditures for the related party liability described in Note 7. The interest is not due until maturity in September 2023, and therefore, not required to be recognized in the general fund. The prior period adjustment reduced the accrued interest liability on the general fund at June 30, 2015. This prior period adjustment did not affect government-wide net position at June 30, 2015.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted</u> <u>Original</u>	<u>Budgeted</u> <u>Final</u>	<u>GAAP</u> <u>Actual</u>	Variance with Final Budget- Positive (Negative)
<b>REVENUES</b>				
State and local sources	\$ 1,240,865	\$ 1,176,504	\$ 1,153,558	\$ (22,946)
Contributions and other revenue	30,000	65,000	230,064	165,064
Total revenues	<u>1,270,865</u>	<u>1,241,504</u>	<u>1,383,622</u>	<u>142,118</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	669,825	697,400	600,930	96,470
Instructional support services	62,725	60,198	51,053	9,145
Instructional staff training	2,000	1,000	1,310	(310)
Instruction related technology	78,925	80,000	15,647	64,353
General administration	165,243	151,545	111,442	40,103
Board and fiscal services	27,000	27,540	25,382	2,158
School administration	227,190	165,182	178,671	(13,489)
Pupil transportation	-	3,000	925	2,075
Operation and maintenance of plant	80,000	80,000	114,510	(34,510)
Fundraising and promotions	-	-	194,926	(194,926)
Debt service	49,000	-	-	-
Capital outlay	-	-	51,882	(51,882)
Total expenditures	<u>1,361,908</u>	<u>1,265,865</u>	<u>1,346,678</u>	<u>(80,813)</u>
Other financing sources, net	<u>-</u>	<u>-</u>	<u>(10,294)</u>	<u>(10,294)</u>
Net changes in fund balance	<u>\$ (91,043)</u>	<u>\$ (24,361)</u>	<u>\$ 26,650</u>	<u>\$ 61,305</u>

See report of independent auditors.

**LATIN BUILDERS ASSOCIATION CONSTRUCTION  
AND BUSINESS MANAGEMENT ACADEMY**

**A CHARTER SCHOOL SPONSORED BY  
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted</u> <u>Original</u>	<u>Budgeted</u> <u>Final</u>	<u>GAAP</u> <u>Actual</u>	Variance with Final Budget- Positive (Negative)
<b>REVENUES</b>				
Federal Sources	\$ 26,910	\$ 26,910	\$ 26,910	\$ -
Total revenues	<u>26,910</u>	<u>26,910</u>	<u>26,910</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Instructional support services	270	270	270	
Instruction related technology	<u>26,640</u>	<u>26,640</u>	<u>26,640</u>	-
Total expenditures	<u>26,910</u>	<u>26,910</u>	<u>26,910</u>	<u>-</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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**

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### **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 Gardens, 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 sponsored by the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2016, 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 29, 2016.

#### **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 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 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 29, 2016

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**

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To the Board of Directors of  
Latin Builders Association Construction  
and Business Management Academy  
Hialeah Gardens, 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 sponsored by the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2016, and have issued our report thereon dated August 29, 2016.

### **Auditor's Responsibility**

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; 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 29, 2016, 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, 2016, 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 report the results of our determination as to whether the 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.

*Sotolongo & Associates, P.A.*

Miami, Florida  
August 29, 2016